

# FAR EASTERN ECONOMIC REVIEW

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## BRITISH BANKS' ANNUAL REPORTS

It is refreshing to look at the world through the eyes of the bankers; he does not have to indulge in desolating controversies of politics, whether national or international, which mostly engage the politician and the writers for the daily Press. He affects them, and they affect him, but when he pronounces upon them he does so from Olympian heights, far from the crowd and the field of battle alike. He is among the more fortunate of mortals. Money is his handmaiden, and it fertilises and makes fruitful the enterprise of the builder and creator. The man of dreams enters the banker's chamber with his hopes high, his paper plan in his hand. He leaves, if his cause is good, with his head as high as his hopes, and his dream factory already underwritten and clearer to the mind's eye. The banker, the engineer, the builder and the scientist are the four great pillars of modern economy and civilisation; and before anything at all can be created there must be the means to do it.

There is an air of sober realism as well as judicial detachment in the banker's survey of the world as he sees it. That is one of the reasons why their pronouncements everywhere, and especially in the United Kingdom and the Far East, are studied with exceptional care. The wise words of the heads of the Big Five set the seal on current finance and economic problems, and not seldom on great political affairs also; they have an unhurried, deliberate air without being exactly pontifical. They fall into a traditional pattern, and the drafts are prepared by men of lucidity of mind and style who have accomplished in long practice an apt marriage of the long and the immediate view.

The polishing and revisions necessary to keep pace with an ever-changing scene and to accommodate the occasional flash of inspiration merely cut

into sharp relief revealing phrases like that of the Chartered Bank: "Quite surely British endeavour in the East is nowhere at an end; it is everywhere in progress." Or the note of caution by the Hongkong Bank about the current passion for industrial development. Just now it was announced in Peking that the ratio between heavy and light industry in China's second five year plan is being reduced; that bad planning (for which Chinese inexperience and Russian advisers are being blamed) has led to merely part-time operation of massive modern industrial plants because of untrained operatives and lack of raw materials. The Chinese are now making the foundations of their revolution more secure by the new devotion being lavished on the men of the soil, who have been doing at least as well as the urban worker as the recipient of Government largesse.

The scene surveyed by the Banks is one of immense activity. The vast mural depicts the background noises and scenes of the West, from Britain's second industrial revolution with the surge of atomic energy as its symbol and the Suez crisis as its undertones; but it is primarily with Asia that both Banks are concerned in their presentations. The vast energies of worker, peasant and intelligentsia in China; the expansion of industry and ship-building in Japan; the return to progress after bloodshed and anguish of South Vietnam; the caravans of rice on their way to the export ships in Bangkok; Malaya, prosperous and progressive, entering on a new era under a new Constitution; Indonesia, teeming with population and resources, seeking a more stable foundation on which to build the new State of their dreams; Borneo responding to the urge to move forward and emerging from the romanticism of the past; India in the throes of her second Five Year Plan with the new guarantees of

internal stability provided by the Government's success in the world's most massive electoral vindication; Burma back under U Nu wiser for the vicissitudes of the past but still without a demarcation of her borders with China; and Hongkong still bravely bearing the brunt of her burden of excess population. They all contrive to present a vast picture of the labours and aspirations of far the greater part of the world's inhabitants at a time of immense resurgence and new hope after centuries of sloth and stultification.

Most attention locally will be paid to the remarks of the Hongkong Bank in regard to the rise in advances by \$144 million and in trade bills discounted of \$39 m. which resulted in a drop of \$105 m. in the total of cash, call money and Government treasury bills. Not all of this rise could be attributed to the growing industrial and commercial expansion in S.E. Asia. The credit squeeze in the U.S. began to be felt in the East and last year the shortage of credit became a matter of increasing concern, and this was aggravated by the fact that some concerns which had previously got their credit in London now turned to the Hongkong Bank; while at the same time depositors took advantage of the high rates obtainable in the U.K. to transfer some of their funds there. Governments also were not slow to follow suit, and so the Banks out here were deprived of substantial sums at a time when the demand for advances—mainly for productive purposes—was very active. The wisdom of this action was questioned, and the Bank suggested that the lure of higher interest rates caused them to lose sight of the increased revenue that would have accrued to them through taxation had the funds been available for local development. Bankers everywhere have been forced to deny facilities which at other times or under other circumstances would have been available. Banks whose activity spreads over so wide a domain as that of the Hongkong Bank need a greater degree of liquidity than those mainly confined in their operations to a single country.

Hongkong has shown great reliance in the development of housing as well as industry and in the amenities of corporate life, but the time has come to get outside assistance in completing the task of resettlement. Hongkong has met the cost of half of that problem, and of the vast additional expenditure in schools, hospitals and other amenities caused by this influx. It is fair and reasonable to expect the world at large, from which so much help is derived in the case of Arab, Hungarian and other refugees, to lend a hand in the task of resettling the 300,000 still to be taken care of.

The controversy about Hongkong cotton competition with Lancashire is placed in its proper perspective with the simple statement that while Hongkong has only a little more than 300,000 spindles, there are about 25 million in the U.K.

The Chartered Bank noted the better trading figures in Hongkong for 1956, due chiefly to higher prices, but its importance as an entrepot is decreasing and much of its business has gone for ever. Nevertheless China will trade through Hongkong when it is expedient so to do. For the first few years of the Peking regime it looked as though the trade authorities would be as inflexible and unimaginative as the Soviet authorities, and the setting up of a sort of official agency in Berlin did not alter this view. But it has since been shown that the Chinese have retained much of their old resilience and resourcefulness and that a bureaucrat's desk is not so very different from the desk of the typical entrepreneur when it comes to pushing trade. In view of China's dependence on the Soviet bloc for the bulk of her supplies, it is unlikely an increased use of Hongkong for inward and outward shipments will be a permanent feature. Salvation for Hongkong is in industrial development, which has already done so much to offset the loss of entrepot trade.

The Hongkong Bank touched on China at some length. It gives credit where due, notably in the case of the great railway construction feats of the regime, though it refers to the reports of breakdowns and lack of maintenance while adding that this does not in any way diminish the credit due for what has been achieved. Free enterprise has been given greater scope in minor industries and handicrafts and a free market has been permitted in many items in daily use, both of which seem likely to benefit the consumer. During the year other relaxations have been made, such as the campaign to employ "intellectuals" without too much enquiry into their political activities; and the permission for the circulation of text-books published in the West. There is also a hint that more should be done about the embargo and that the "exceptions procedure" to permit reasonable exports to China in appropriate cases of goods which are not on the Soviet lists. So far this move has not proved so helpful as it was hoped owing to the absence of precise lists and the delay in dealing with applications.

All in all, the Bank reports reflect the astonishing vigour and range of developments in Asia and show how well international trade has hitherto ridden out the great storm of change and upheaval in East Asia.

# THE HONGKONG AND SHANGHAI BANKING CORPORATION

## Chairman's Statement for the Year 1956

When our annual review was prepared last year there seemed hope that we could look forward to a slow but gradual improvement in international relations. True, many problems remained unsolved but a degree of stabilisation appeared to have been reached, sufficient at least to prevent any major disturbances from breaking out. The destalinisation policy gave evidence of a change of emphasis, if not a change of heart, in Russia and the benefit of co-existence was the theme of many of her leaders' speeches while the rest of the world seemed quiet. Unfortunately these hopes were not realised and at one time during the year the world seemed very near to the calamity of a global war with all the destruction of life and treasure which such a catastrophe would have caused in this thermo-nuclear age. Dissension in eastern Europe, due to dissatisfaction with living conditions caused to a large extent by the over-concentration of resources in the production of heavy industry, resulted in reforms in Poland and an armed uprising in Hungary; and in the Middle East the nationalisation of the Suez Canal by the Egyptian Government, coupled with their deteriorating relations with the State of Israel, set in train a series of events the results of which cannot yet be foreseen. Indeed, we have to go back many years to find an issue which raised so much controversy in the United Kingdom and elsewhere as the intervention of the British and French forces in the fighting between Israel and Egypt, and the passions raised by that intervention have not yet died down. On the whole, little pleasure can be found in looking back on the events of the past year. Some of the legacies, which will be with us for some time to come, are the damage which has been done to Anglo-American relations, the closing of the Suez Canal and the difficulties which the shortage of oil has caused to the economies of western Europe; but there are many others. There is, however, a little comfort to be gained from the fact that shattering though some of the incidents were, causing as they did misery to many helpless people, the disturbances were to a great extent localised, and the fear of starting a world conflagration seemed to prevent action reaching the point of no return.

Economically industrial production continued to increase, although at a slower speed than in 1955, and a growing intensification of the restriction of credit began to make itself felt. In the United Kingdom the first six months showed a steady improvement in the gold and dollar reserves—evidence that the deflationary measures imposed were proving successful—but from July onwards external factors began to come into play and economic conditions were dominated by events in the Middle East which culminated in a loss of nearly £100 millions in the sterling area reserves during November. Steps taken in December to mobilise all available resources seem to have been successful in stopping this drain and the technical position of sterling has since been greatly improved thus enabling the inherent strength of the economy to reassert itself. The stability of a currency is not, however, decided by technical considerations—important though these are in the case of sterling, in which currency such a large part of world trade is financed—and, while the short-term outlook is reassuring, it is only by a steady and substantial increase in

the reserves that a permanent solution can be found. If it has done nothing else, the Suez crisis has clearly shown that the United Kingdom has been endeavouring to undertake larger responsibilities than the economy can bear. The present size of the armed forces is a case in point and recent announcements show that a determined effort is now being made to tackle this problem and this should do more than anything else to reduce the level of government expenditure, the need for which has been stressed from so many platforms.

Since the war there has been considerable support for the proposal that some form of integration of the economies of western Europe should be evolved, which, by the pooling of resources, would enable this area, with its large internal market, to compete on more equal terms with the United States and with the growing economic strength of Russia. Such an area would be immeasurably strengthened by the addition of the United Kingdom but the difficulty of combining her Commonwealth obligations with the membership of a European union has always in the past proved a stumbling block. Opinion in the United Kingdom has, however, changed and in a recent White Paper the Government recommended to the Organization for European Economic Co-operation that, subject to reservations on agriculture, general approval be given to the creation of a "European Industrial Free Trade Area" which would associate with the European common market composed of France, Western Germany, Italy and the Benelux countries. At a meeting held in Paris shortly after the issue of this White Paper, seventeen western European nations agreed to enter into the necessary negotiations and Mr. Thorneycroft was appointed chief co-ordinator. In this proposed free trade area tariffs and quotas, against imports from countries within the area, will be abolished progressively over a period of years but each country will be permitted to retain its own individual tariffs against the outside world as opposed to the common market where there will be a standardised tariff with non-members. Although a number of differences have still to be ironed out a great step forward has been taken towards the setting up of this free trade area which, if it comes into being, will be one of the most encouraging developments in world trade that has been evolved since the war.

Another important event, which took place in the United Kingdom during the year, was the formal opening by Her Majesty the Queen, in October, of the world's first large scale nuclear power station at Calder Hall. This project is a considerable achievement which not only marks the beginning of the generation on a large scale of electricity from the atom but may also result in the development of an export market with tremendous possibilities. Already there are reports that the Japanese are showing interest in the purchase of a power reactor of the British Calder Hall type.

In Asia the international situation has remained quiet and although, as I pointed out last year, a number of problems remain unsolved there were no developments, apart from several internal incidents, which disturbed the peace of the area. The disruption of shipping through the Suez Canal delayed and increased the cost of many of their im-

ports from western Europe but so far this has not caused any undue strain on the economies of the various countries, while on the short view at least, Japan has benefited. In many of our annual reviews since the war the importance of agriculture has been stressed and we have tried to point out the dangers of a too speedy move towards industrialisation: but the desire to bring about an increase in the standards of living of the people has caused governments to draw up plans which, if successful, (and some of them so far have been fairly successful) will result in an extremely rapid enlargement of industrial resources. The increase of consumer demand which a large capital investment is bound to create and which precedes—often by some considerable time—the wealth generated by that investment, presses most heavily moreover on food prices and it is for this reason that the improvement in agricultural production at such a time is so necessary. As the report by the Council for Technical Co-operation in South and South-East Asia 1955/6 puts it “food is the basic sector of production” and this is borne out by a study of conditions in various countries where it is usually found that a favourable harvest is the best tonic for their general economic health. Recent events in eastern Europe have shown that, even where the whole economy of a country is ruthlessly planned to the accumulation of fixed capital, there is a limit to the extent to which industrialisation can be pushed forward unless agriculture keeps pace. Unfortunately during the year under review agricultural production did not show any marked increase in Asia and while not in any way overlooking the part that weather conditions can play, particularly sudden natural disasters such as floods, one is left with the feeling that in many countries insufficient resources are being allocated to the agricultural sector. These remarks of mine will, I hope, not be misunderstood. The need for rapid industrialisation in this day and age cannot be questioned and enlightened self-interest alone would lead us to give this movement every encouragement: but this does not get away from the fact that under conditions which exist in most of Asia, with growing populations, the increase in industrial development should not move at such a high speed that the production of basic foodstuffs and other necessities of life is unable to keep pace.

**Aid for Under-Developed Countries:** The Colombo Plan continued to play a large part in furthering development in South-East Asia and it is encouraging to see how mutual aid has increased particularly in the provision of training facilities. The Consultative Committee in its report, published after its annual meeting in Wellington in December, stresses the desirability of flexibility in development programmes, the importance of providing “sufficient opportunities for productively employing the ever-increasing human resources of the area” and the need to maintain a proper balance between consumption and investment. The Committee also expressed the hope that “increased opportunities may develop for drawing on foreign private investment”. This is certainly true and I trust that a suitable climate will be created to encourage this investment. United Nations agencies continued to play their part while aid has been provided by the United States of America on a generous scale through various channels. The International Bank for Reconstruction and Development also made substantial loans including one of U.S.\$75 millions to the Tata Iron and Steel Company Limited of India which is the largest loan for an industrial project so far made by that bank; and its offspring, the International Finance Corporation, came into being in July and announced its intention of concentrating upon investment in less developed countries in association with private investors. The International Bank has proved itself one of the most successful international organisations set up since the war and I hope that, with the experience

of its parent at its disposal, the International Finance Corporation will be able to make a useful and increasing contribution towards the economic development of its members in the private sector in which it will specialise. In our own small way we are doing our part and we have interests in two development corporations, one in India and the other in Ceylon, while consideration is being given to the setting up of a similar organisation in the Federation of Malaya. These corporations are intended to grant finance on a rather longer term basis than banks normally provide.

### HONGKONG

Hongkong has been fortunate in recent years in avoiding any serious internal disturbances and for this a great deal of the credit is due to our efficient police force. Unfortunately in October an incident, which started as a comparatively minor dispute in one of the resettlement areas, was exploited by criminals and gangster members of the Triad Societies to develop into the most serious riots the Colony has experienced since the war. The Governor in a memorandum to the Secretary of State for the Colonies, stated that “there is no evidence whatsoever to suggest that the riots in Kowloon were planned beforehand. On the contrary, all the indications are that they started spontaneously” and he went on to show that the crowded resettlement blocks, which it was necessary to build in urban areas in order to enable the inhabitants to be housed near their work “explains the dryness of the timber which was waiting to be ignited by any suitable spark”.

The continuing rise in the population due to the large influx from China and the natural increase—excess of births over deaths—influences every sector of the community's life and it compelled the government in September to re-introduce the quota system for Chinese entering the Colony. That this move was inevitable was borne out by the fact that during the six-and-half months when these restrictions were lifted there were over fifty thousand immigrants and this, if allowed to continue, coupled with the natural increase of about seventy-five thousand persons, would have imposed a strain on the Colony's resources which it would be quite unable to bear. The interim report of the Special Committee on Housing in Hongkong, which I mentioned last year, estimates that even to prevent living standards from deteriorating it will be necessary to build “the equivalent of one new town, not much smaller than York, each year” which gives some idea of the magnitude of the task. This problem was dealt with at considerable length by the Governor in his recent speech in the Legislative Council and the progress so far made in resettlement and in the construction of new housing generally is, I think, remarkable. It is nevertheless not enough. Hongkong has prided herself since the war on what has been achieved by her own efforts and I hope that we shall be able to continue to be self-reliant for our normal development but the task of resettlement is something quite different. The time is rapidly approaching—if it is not already here—when assistance from some outside agency will become essential and the riots emphasised how urgent this problem is. It is, therefore, all the more encouraging that the executive committee of the United Nations Refugee Fund recently agreed to ask the General Assembly to consider the problem.

When we look at the year as a whole, however, we find that once again there has been an improvement in practically every field of economic endeavour as some of the figures I shall give will show. The Tai Lam Chung reservoir project was inaugurated this month by Lady Patricia Lennox-Boyd; progress on the airport is reported to be up to schedule; a development plan has been announced for the Hung Hom district of Kowloon; and building activity continues to be

seen in every part of the Colony. The proposal to construct a tunnel or a bridge across the harbour has been the subject of a considerable amount of discussion during the year but the government has decided that the cost of either of these projects is not at present justified.

The competition which the United Kingdom cotton industry is facing from imports of piece-goods from India and Hongkong has been the subject of numerous statements in the press and questions in the House of Commons. Led by Sir Cuthbert Clegg, a delegation from the industry visited both India and Hongkong at the beginning of this year to discuss this problem. It was proposed that the local industry should voluntarily agree to limitation of exports of cotton cloth to the United Kingdom at an agreed figure and this suggestion is being examined. Even if certain sections of the industry are willing to co-operate, however, there seems little chance of bringing the garment-making industry into the scheme. This is very much of the cottage type of industry with no organised form of association and this makes any limitation unworkable. In view of the publicity that has been given to the competition from Hongkong it is, I think, worthy of mention that the spinning industry here comprises just over three hundred thousand spindles while in the United Kingdom there are reported to be something in the region of twenty-five million spindles in active operation.

**Trade:** Hongkong's trade in 1956 increased by 24% in value while volume rose by 12%. Exports showed a greater improvement than imports with Indonesia moving into first place while exports to Japan and Thailand were substantially higher. The increase in imports was fairly well spread with Japan and China making the most progress. Imports from China at just over \$1,000 millions were the highest since the war and although the trend continued for exports to that country to be lower, the drop was not so severe as in 1955.

Exports of Hongkong products increased by 7% and comprised about a quarter of the Colony's total exports. The United Kingdom continued to be our best customer for local products but total exports to that country are still only 60% of our imports from there, a point which some people in the United Kingdom seem to overlook. These figures illustrate the importance to Hongkong of her local industries which continue to play a growing part in the Colony's economy. No less than 488 new factories were registered during the year as opposed to 372 in 1955.

Business on the Stock Exchange showed a fall of about one-third compared with 1955 but the market was in a much more healthy state and the boom seemed to have spent itself. Land values continued to rise although the number of properties that changed hands was considerably lower with buyers becoming more selective in their purchases.

The bank clearing figures for the year increased by 10% to around the equivalent of £950 millions which has only been exceeded once before, in the year 1951.

**Finances:** Once again the Financial Secretary, Mr. A. G. Clarke, in his speech in the Legislative Council when he presented the Budget, was able to report a very satisfactory state of affairs. A surplus of just under H.K.\$15 millions is expected for the current year as revenue on what he describes as "luxury taxation" has been particularly buoyant while expenditure is again below the estimate. For the financial year 1957/8 a deficit of H.K.\$54 millions is estimated but shareholders, who have followed the trend of the Colony's finances and observed how conservative these estimates seem to be, will perhaps feel, as I do, that this gives no cause for alarm. It is interesting that the government is considering dealing with capital items in a separate budget as an amount of H.K.\$150 millions in next year's estimates represents this

type of expenditure. The airport and Tai-Iam Chung reservoir comprise 40% of this amount. There is also an allocation for the preliminary work on a new reservoir which is to be built on Lantau Island and this will take about six years to complete. For the first time since the war details are given of the assets held by the government against their liability for the Certificates of Indebtedness held by us and the two other note issuing banks as security for our respective note issues. These assets on 31st December, 1955 were 108% of the liability with 37% in the form of cash, money at call or short notice.

## CHINA

Conditions in China are a matter of considerable interest to all the countries in South-East Asia and nowhere is this more so than here in Hongkong. Unfortunately, information until recently has been scanty and reliance has had to be placed to a large extent on official publications and on impressions of returning visitors whose movements have in some cases been limited: but lately there has been a welcome increase both in the number of visitors permitted to enter the country and in the extent of their travel when there which is enabling us in Hongkong to hear eye-witness accounts of what is happening. There has also been a certain amount of criticism from China's own leaders, which has shown up where some of the weaknesses lie, and statistical information has been considerably improved. In fact a great deal of literature is available; but the achievements of the present administration are still so much a subject of controversy that much of this takes a partisan view, giving credit or awarding blame according to the ideology of the writer. In spite of these qualifications on any opinion which is formed there seems no doubt whatever that the progress in industrial development that has been made in the last few years is substantial and that the first stages of the welding of farms into collective units have been, to a large extent, completed. To what degree this has reflected the wishes of the people, or how lasting the collective pattern will be, is difficult to estimate but the speed with which this has been brought about must have exceeded expectations.

The construction of new railways has also been particularly impressive and it is claimed that over 2,500 miles have already been completed. One of the most ambitious of these projects is the line linking Lanchow with the Soviet network some 1,700 miles away. This has already passed the oil fields of Yumen. It may be more difficult to get these new lines into full operation, as there are reports of breakdowns and a lack of maintenance on existing railways, but this does not in any way diminish the credit due for what has already been achieved.

The first National Congress of the Chinese Communist Party since the Yanan Congress in 1945 was held in Peking in September. At this meeting progress in the first five-year plan was discussed and many errors were admitted by the official spokesmen. These covered the setting of higher targets for capital projects than the production of building materials warranted, the neglect of industry along the coast (it was pointed out that this area still produced over 60% of China's consumer goods), and too low a wage structure. In considering the second five-year plan Mr. Chou En Lai stated that it was their policy to build "with heavy industry as its core" a comprehensive industrial system within three five-year plans. Special emphasis would be given to the metallurgical industry and it was hoped to raise the national income by 50% by 1962. This was, however, before the disturbances in eastern Europe; and since that time there is evidence that the lesson of these events, coupled with a less satisfactory agricultural output than was expected, has resulted in the targets of the plan being revised. It is

significant also that free enterprise has been given greater scope in minor industries and handicrafts and a free market has been permitted in many items in daily use, both of which seem likely to benefit the consumer. During the year certain other relaxations have been made such as the campaign to employ "intellectuals" without too much enquiry into their political activities and the permission for the circulation of text books published in the west. These are all signs that some of their original plans require modification but it would, I think, be a great mistake to assume that any real change has occurred in the basic policy of the regime, which is to increase the industrialisation of the country at as rapid a pace as the economy will bear. It seems likely, however, that the trend in eastern Europe of diverting production towards consumer goods may slow up, or even halt, deliveries of heavy industrial equipment to China, and this may necessitate some adjustment. No doubt Mr. Chou En Lai's interruption of his Asian tour to visit those countries was not only concerned with political matters.

Trade with China continues to be restricted by the embargo but it was announced in the House of Commons in May that more use would be made "of the exceptions procedure to permit reasonable exports in appropriate cases to China of goods which are not on the Soviet lists". While this move is welcome as far as it goes it has not proved so helpful as it was hoped due to the absence of precise lists and the delay in dealing with applications.

An exhibition of China produce and manufactures was held in Canton from November to January and was visited by many Hongkong merchants. The lay-out was excellent and not only showed the wide range of products, which we all here know so well, but also included examples of what their new industries are turning out. Many of these items were for export and there is plenty of evidence, here in Hongkong, of the increase in the range of goods available from China.

### JAPAN

In Japan the year was marked by steadily increasing economic expansion with continuing instability on the political scene. The index of industrial production in November was higher by over 25% compared with the figure for the previous year but internally this does not seem as yet to have caused serious overstrain. While the cost of metals and machinery rose and there were bottlenecks in both transportation and electric power the prices of basic cloth and foodstuffs remained steady but in January the consumer goods index moved up sharply. Unless this is temporary it may be a sign that demand is beginning to press where it can do most harm. Interest rates continued high but bank advances have steadily increased, resulting in a rise in the level of borrowing from the Bank of Japan.

Shipbuilding in particular has been extremely prosperous and, aided by their early delivery dates, the industry has taken advantage of the world demand for shipping, particularly tankers, and Japan last year turned out 1,746,000 tons of shipping, double the previous year's total. Output of textiles also increased and exports have been rising which has not been welcomed by the competing industries in the importing countries, particularly in the United States of America. As a result of protests from that country the Japanese have agreed to a voluntary limitation of textile exports to 285 million square yards per annum. An interesting innovation to encourage exports has been the floating fair of Japanese machinery which is moving round various ports in South-East Asia. This fair is housed on board a freighter which will spend a few days in each city.

The demands of industry caused a higher level of imports, mainly of raw materials, but, helped by another good

rice crop and a world demand for her exports, it was still found possible to maintain a favourable balance of payments. As usual this was mainly due to invisible items as payments for exports and imports were almost in balance at U.S.\$2,400 millions but the foreign exchange surplus was just under U.S.\$300 millions as opposed to U.S.\$500 millions in 1955.

In spite of Japan's favourable overall balance her holdings of sterling have shown a considerable drop during the year and negotiations, which have been in progress in London since October, have recently concluded with the signing of a new trade agreement. It seems that the delay in reaching this agreement was caused by the different approach of the two governments. Japan considered the drop in her sterling holdings as justification for requesting increased imports by the sterling area of her goods; but the United Kingdom argued that, as sterling could now be used for many types of payment outside the sterling area, balanced trade with individual countries was a relic of bilateralism and was now out of date. For the same reason the United Kingdom does not want to enter into a new payments agreement.

The budget which has recently been presented in the Diet shows increased expenditure of around Yen 100 billions. In view of the favourable conditions enjoyed by industry it is proposed to reduce personal income tax but it is anticipated that this will be more than covered by higher revenue from other taxes.

When we turn from a survey of economic conditions and look at the political picture the outlook is not so promising. The emergence of the two-party system, which I mentioned last year, has not brought with it any feeling of party cohesion and politics are still bedevilled by the rivalry of numerous factions. This party strife did nothing to improve the Japanese prospects in their negotiations with Russia where the dissensions and rivalry of the various political groups at home weakened a hand which was never particularly strong. The Japanese also found, as others have found before them, that the Russians were hard bargainers and the talks, which in the summer were resumed in Moscow, seemed for a long time to be making little progress. Finally in October an agreement was signed and in December, at a ceremony in Tokyo, the ratification instruments were exchanged and the restoration of diplomatic relations became an accomplished fact. A few days later Japan was elected the eightieth member of the United Nations. This entry into the international organisation has given great satisfaction to the Japanese and has, to a large extent, tempered their disappointment over the failure to obtain satisfaction over their territorial claims. In this connection it seems unlikely that any progress will be made over the return of the Southern Kuriles and while the islands of the Habomai group and Shikotan are to be returned on the signing of the Peace Treaty there is no indication as to when this will be. In the minds of many Japanese a reappraisal of future relations with China seems to be the next step but a settlement of this problem is likely to require a high degree of diplomatic skill.

While these events were taking place the Liberal-Democratic Party was endeavouring to find a new leader as Mr. Hatoyama had announced his intention of retiring. The personal rivalry between the various leaders made agreement difficult and it was not until a second ballot that Mr. Tanzan Ishibashi was elected and later formed a government. This government was short-lived as Mr. Ishibashi was obliged to resign due to ill health. Mr. Kishi became the new Prime Minister but continued to retain the portfolio of Foreign Affairs while the Cabinet was practically unchanged. Recent developments unfortunately have not provided any

evidence that the members of the party have buried their quarrels and the factional affiliations still seem as strong as ever. Although so far the political instability has not had a damaging effect on the country's economy there are many problems both in the domestic and international fields requiring attention which is unlikely to be given as long as the present dissensions remain.

### PHILIPPINES

The year 1956 was, on the whole, a good one for the Philippines. The political situation remained unchanged and President Magsaysay personally continued to enjoy the support of the majority of the nation, although this does not extend to all members of the administration. There was general satisfaction that the country became a member of the Security Council and that Governor Miguel Cuaderno of the Central Bank was elected Chairman of the Board of Governors of both the International Monetary Fund and the International Bank.

Economically there was general prosperity and, from such statistics as are available at the time of writing, it appears that activity in most sectors was at a higher level than in 1955. Exports were larger which was mainly due to increases in shipments to Europe and Asia as trade with the traditional market of the United States showed a slight fall. Due to curtailment of licences imports were on the whole lower, particularly consumer goods, but there was an increase in the purchases of machinery. As a result the foreign exchange reserves showed a slight increase but this was still dependent to a large extent on United States Government expenditure. The expansion of the economy, coupled with the reduction in the imports of consumer goods, had its effect on prices which tended to rise while a considerable increase in the supply of money gave warning of the inflationary dangers ahead. These were referred to by the President in his State of the Nation Address in which he stated that "we will continue to adjust our foreign exchange allocations to the demand for essential consumer goods without impairing the requirements of high priority projects". To achieve this balance will not be easy and the President dismissed suggestions that the time was ripe for the removal of economic controls. On the contrary he recommended that Congress reconsider the "No Dollar Import Law" which permitted a considerable amount of barter trade, as this measure was being abused. The suggestion that the peso should be devalued has been heard again from many quarters but this proposal is strongly opposed by the Governor of the Central Bank who does not feel that it would be in the best interests of the country.

The agreement covering reparations was made with Japan during the year which provides for the supply of capital goods to a total of U.S.\$500 millions over a period of twenty years. Detailed implementation of this agreement seems to be making little headway and the Philippines are anxious to terminate the trade agreement with Japan and substitute payment on a cash basis. Although relations with the United States continued to be friendly, little progress seems to be being made over the revision of the military bases agreement.

### VIETNAM

Although many of the difficulties facing the Republic of Vietnam, which I mentioned last year, still remain, considerable progress has in fact been made. The war against the sects has been brought to a successful conclusion, a large number of the refugees have been effectively resettled and the area under law and order is being rapidly enlarged.

The new constitution has been drawn up and although this gives the President of the Republic very strong veto powers, for a time at least, in a country which has suffered from so much dissension, such powers are probably necessary. Steps are being taken, although possibly not fast enough, to introduce land reform. This will restrict the area of land suitable for growing rice which may be held by one individual. These are all considerable achievements but the economic situation still gives cause for concern. Production of rice is still very low, in spite of efforts to develop hitherto unproductive areas and to replant rice fields abandoned during the hostilities, and exports of rice were not found possible in 1956. These have since been resumed on a small scale but the price may make any large increase difficult. Little progress has been made in industrial development and inflation has become a serious threat in spite of the large amount of American aid. The recent reorganization of the import trade, by reducing the number of those engaged in it and the fixing of profit margins, at both wholesale and retail level, is aimed at lowering prices but this can only have a limited effect. Moreover, the decision that all Chinese born in Vietnam would henceforth be Vietnamese nationals and that non-Vietnamese nationals would be prohibited from participation in the retail trade has had a damaging effect on the confidence of the Chinese who are particularly interested in this trade. For a long term solution to their economic difficulties it would seem to be necessary to press ahead with increasing the area under rice cultivation and the setting up of secondary industries; but the most immediate problem is to bring down the cost of living.

### CAMBODIA

Prince Sihanouk continues to retain the confidence of the people and to wield considerable influence whether he has been in office or out of it. Strict neutrality is the declared policy of the country and the two-year capital investment plan is being largely financed by aid from abroad. Rice exports, which were banned early in the year, are to be resumed as this year's harvest is reported to be excellent. Progress is being made in the construction of the road to Kompung Som and when this is opened it will enable this new port to serve the capital.

### THAILAND

The cautious optimism I expressed last year regarding the future of Thailand appeared to be borne out by events in 1956. There were signs of more political stability and the differences between rival personalities, which had in the past hampered the administration, seemed to be less marked. Unfortunately the elections, which were held at the end of last month, resulted in a certain amount of unrest and it was necessary to declare a state of emergency. These disturbances seem to have been brought under control but the fact that they occurred shows that "caution" is necessary in any appraisal of events in this country. Economic conditions were satisfactory and the operation of the Stabilisation Fund ironed out excessive fluctuations in exchange rates while the over-stocked condition of the consumer goods markets showed considerable improvement. The balance of trade, however, was slightly adverse during most of the year as imports continued at a high level, which had a beneficial effect on the revenue. This was considerably higher than expected and resulted in income exceeding ordinary expenditure in the revised estimates for 1956, while a small surplus is estimated for 1957. Capital expenditure will remain at about the same level and the overall shortfall will as usual be financed by loans and American aid. This aid is most beneficial to the economy of the country enabling deficit financing to be avoided, and has kept the cost of living and money supply

comparatively stable; while a large appropriation is being used in the construction of strategic roads which will be of great commercial value. Shipments of rice, which earlier were lagging behind the level of 1955, increased during the last two months, due to reductions in export premiums, which enabled the total for the year to be some 13,000 tons more than for the previous year. Rubber exports were a little higher and estimated figures for both production and exports of tin indicate an increase of some 15%. As can be seen, Thailand seems to be in a very happy position which should continue during the current year provided there is no further internal disturbance.

#### FEDERATION OF MALAYA

The Alliance Government has now been in office for over a year and steady progress has been made, both in the conduct of the day to day administration and in the movement towards full independence, while many of the changes agreed upon at the Constitutional Conference in London last year have already been brought into force. The Chief Minister, Tengku Abdul Rahman, who also holds the portfolio of Internal Defence and Security, became chairman of the Emergency Operations Council and in July the Federation Armed Forces Council was inaugurated and has already set about the establishment of a self-contained local force. A Constitutional Commission was appointed early in the year under the chairmanship of Lord Reid and toured the country receiving recommendations from various interested bodies. Their report has recently been published but it is not possible to do more than touch on it here. A strong central government with a common nationality for the whole of the Federation and "a measure of autonomy" for the States and Settlements are among the recommendations. Provision is made for a constitutional Head of State for the Federation and for the Settlements becoming States in the new Federation. The need for safeguarding the special position of the Malays has been recognised and the qualifications for citizenship follow the proposals of the main parties.

At a further meeting between the Governments of the United Kingdom and the Federation of Malaya, held in London over the end of the year, negotiations were satisfactorily concluded on the terms of the defence agreement "under which Her Majesty's Government will undertake to assist the Federation Government in the external defence of its territory and in the training and development of its own armed forces while the Federation Government will confer on Her Majesty's Government the right to maintain in the Federation the forces, including a Commonwealth strategic reserve, necessary for the fulfilment of Commonwealth and international obligations".

As a result of this preparatory work the scene is now set for the transference of power on 31st August and the Federation of Malaya will then take its place as a self-governing member of the Commonwealth. On the whole their future prospects look favourable. The Alliance Government retains the support of the majority of the population and the economic outlook seems bright with a continuing world demand for their primary products. The Emergency continues as a dark cloud on the horizon as, although much success has been achieved, the terrorists remain active and the cost continues to be a heavy drain. Other problems spring to mind, such as the adjustment of racial interests and the relations between the Federation and Singapore, but the present government has built up a considerable store of goodwill which should, provided tolerance is shown on all sides, enable them to get off to a good start.

The present position of the finances of the Federation was dealt with clearly and concisely by Colonel H. S. Lee,

the Minister of Finance, when he introduced his first budget. The estimates showed a prospective deficit of M.\$145 millions for 1957 which would reduce the realisable general revenue balance to M.\$136 millions by the end of that year. This was considered to be below the safety margin and, for this reason, changes in direct and indirect taxation were brought into force. Briefly these covered increases in income tax in the higher income brackets, new taxation affecting motor cars, the raising of certain import duties and an excise duty on locally grown tobacco. This increased revenue was expected to reduce the deficit to M.\$110 millions. The estimates for capital projects already approved show that a little over M.\$200 millions will be required in 1957 with not far short of M.\$400 millions thereafter. This finance is being provided at present by advances from the treasury but a funding operation will require to be undertaken sooner or later. Many other schemes for development are in course of preparation and it was in the light of this heavy expenditure that the financial discussions were held in London concurrently with those on defence which I mentioned above. It was agreed that the United Kingdom Government would provide some financial assistance towards the continued cost of the Emergency and would help in the expansion of the armed forces. These arrangements, although perhaps on a smaller scale than was hoped for, should assist the Federation in their development plans and, before leaving London, Tengku Abdul Rahman stated that "every encouragement would be given for the flow of foreign capital to Malaya to help the country's economic development". This is a very welcome statement as foreign capital investment and, what is perhaps more important, the technical assistance which is likely to come with it, will be essential to the Federation for many years to come.

**Tin and Rubber:** In the first six months of the year the price of both these commodities moved gradually downwards but this trend was halted in July due to developments in the Middle East. For the rest of the year there were considerable fluctuations with a sharp increase in both prices during November and December. This rise has, however, not been maintained.

The International Tin Agreement came into force on 1st July, 1956 and contributions have already been made by members, all of them so far in cash. At the meeting in December of the International Tin Council it was agreed to review the present floor and ceiling prices and a report is expected to be submitted to the next meeting which will be held this month. While the introduction of this scheme should, on the whole, have a stabilising influence, to operate efficiently the buffer stock should hold both cash and tin but, as the manager of the buffer stock is not permitted to buy until the price is below £720 per ton, there is little prospect of acquiring any tin at the present time. From 31st January 1957 the buying of tin by the United States Government for stockpile purposes ceased and the smelter in Texas was sold to a private concern.

Tin production in Malaya increased by a little over one thousand tons compared with 1955, while exports were the highest since 1950.

The rubber replanting scheme, which is so vital for the future of the industry, is making progress although the smallholders are moving slower than the estates. This is understandable as to quote from the Federation of Malaya Annual Report for 1955 "to the smallholder, lacking mechanical aids, the task of replanting calls for hard and sustained physical labour" and considerable publicity with sufficient inducements is necessary to encourage the smallholder to undertake this work. Production was slightly below the high level of 1955 and exports at 983,000 tons showed a drop of about 1%.

## SINGAPORE

The conference to decide the future constitution for Singapore was held in London in April but in spite of three weeks of negotiation it was found impossible to reach agreement. The main issue on which the discussions foundered was the extent of the powers to be retained by the British Government to enable them to discharge their responsibilities for external affairs and defence. After his return, Mr. Marshall resigned in June and Mr. Lim Yew Hock became Chief Minister. His task seemed a far from enviable one as there was considerable disappointment over the failure to reach agreement in London, although in many quarters there was a feeling of relief that a period of quiet on the political scene seemed likely. In September the Chief Minister obtained a unanimous vote of confidence in the Legislative Assembly, which greatly strengthened his position, and enabled him to take stronger measures to stamp out subversive activities. One of these was an order dissolving the Chinese Middle Schools Students Union. For some time past many of the pupils in these schools had become extremely unruly and neither their teachers nor their parents seemed to have any authority over them and evidence was obtained which showed the extent of Communist infiltration in the union. The determined stand taken by the government unfortunately resulted in serious riots but no further disturbances have taken place since and there is every indication that the power of the Communists in the union has been severely weakened, if not entirely broken. This is an important achievement and particularly significant when it is remembered that over half the population is under twenty-one years of age. On the whole the position in Singapore at the end of the year seemed more stable than it had been for some time and, with the added authority which this improvement gave him, Mr. Lim Yew Hock paid a visit to London to discuss the agenda for the resumption of the constitutional talks this month. Although it is always dangerous to prophesy there seems ground for hope that this time he will not come back empty handed.

The estimates for 1957 showed a deficit of M.\$36 millions but new taxation similar to the Federation's reduced this figure to under M.\$20 millions. On the whole this is not an unsatisfactory state of affairs but the calls for capital development are heavy and are expected to amount to M.\$750 millions for the period 1958 to 1962, of which projects totalling M.\$570 millions are considered essential. To meet this heavy expenditure it is intended to increase revenue over the next three years to yield at least an additional M.\$50 millions and to mobilise local capital resources to the full. A bill was introduced imposing a tax "at wholesale level on any luxury goods which it may be decided to tax in the future". This proposal has been severely criticised as likely to endanger Singapore's free port status and the bill has been referred to a Select Committee. The necessity to maintain a suitable climate for investment, in the face of mounting expenditure for social services, is the difficult problem which faces Singapore's government and a suitable balance will not be easy to find.

## MALAYA

It has always been the practice in these statements to include comments on developments in the Federation of Malaya and Singapore under the same heading but, with the recent constitutional changes, this seems no longer suitable and this year I have tried as far as possible to separate them. Geography and their complementary economies, are facts which cannot be ignored, whatever the political differences may be, and it is no more easy for us to draw a line between the two territories in our summary of events than it is for one territory to ignore the effects on the other of the policy

they adopt. Before I leave this peninsula, therefore, I wish to touch on a few matters of general interest to the area as a whole.

One of the recommendations of the International Bank Mission was the establishment of a central bank and last year the two Governments requested Mr. Watson of the Bank of England and Sir Sydney Caine to make an examination of the present position and to submit a report on what form that central bank should take. Under their terms of reference they were required, among other things, to advise on the desirability of separate central banks as opposed to one for both territories. This question is linked with that of the currency for the two territories, the Governments of Sarawak, North Borneo and the State of Brunei having decided to adopt a currency of their own, and the report favours the continuance of one currency, which pre-supposes a joint central bank. This is a conclusion with which we agree but the efficient working of a joint central bank would only be possible—to quote from the report—"if the two Governments co-ordinated their policies in the fiscal, monetary and economic fields". Other recommendations cover the retention of the sterling link and the desirability of banking legislation.

The importance of the provision of low cost housing as a deterrent to Communism is as great in Malaya as it is elsewhere and I am glad to be able to report that the Malaya Borneo Building Society, formerly Federal and Colonial Building Society Limited, for which, as I mentioned two years ago, we are providing finance, has made considerable progress. Already this society has assisted many families throughout Malaya to purchase their own homes and its activities are being extended to Borneo.

Plans for the gradual Malayanisation of the public services have been approved in both territories. There has been a considerable amount of ill-informed discussion on this subject and it is satisfactory that the schemes adopted have avoided the danger of too much haste and that the retiring officials have been treated fairly.

The Malayan trade figures showed a favourable balance of M.\$13 millions as against M.\$335 millions in 1955. This considerable reduction was mainly due to the large increase in imports while the level of exports was about the same. The total value of external trade was higher than in any other year except 1951.

The above are a few of the many important developments that have taken place in Malaya during the last year and on the whole, in this part of the world, we can look back on 1956 with a considerable degree of satisfaction. The end of one chapter is in sight and we shall soon be turning to the next. What this chapter will contain we cannot yet tell but the events which it will record will cover the early developments of these two territories under their own elected rulers. It appears that the transfer will take place peacefully with little rancour on either side and as long as merdeka is regarded as a challenge to progress and not as an end in itself the new chapter should make pleasant reading.

## NORTH BORNEO

Borneo is blessed with considerable natural resources but is lacking in both capital and labour. Here also there is the urge to move forward in expanding the economy and over the last three years M.\$53 millions have been invested in development. Half of this was obtained from revenue with the balance from loans and external aid. Labour has also shown a welcome increase as a result of immigrants from Indonesia, but arrivals under the recent agreement with the Philippines have been disappointing. The importance of communications at the present stage of development needs no

(Continued on Page 370)

# THE MERCANTILE BANK OF INDIA

STATEMENT BY THE CHAIRMAN (SIR K. W. MEALING) FOR THE YEAR ENDED DECEMBER 31, 1956

The expansion recorded last year in the Bank's general business continued during 1956. The Balance Sheet total at nearly £75 millions is higher by £3 millions. Deposits are higher by £2½ millions whilst on the Assets side there are increases of over £5 millions in Loans and Advances and nearly £1 million in Bills Receivable.

The net profit of £236,484 is slightly higher than the previous year and your Directors recommend a final dividend of 7 per cent. The dividend for the year will be 14 per cent., the same as last year. From the balance the usual allocations have been made to the Officers' Pension Fund, Premises Account and Contingencies Reserve Account leaving the balance carried forward at £224,521 against £219,372 from the previous year.

During the year the Board authorised the transfer of £250,000 from Inner Contingencies Account to the Reserve Fund, which now stands at £2,000,000.

## India

One of the principal events of the year in India was the introduction of the States Reorganisation Bill which after some modification, resulting from troubles in Bombay and Bengal, came into effect throughout India on the 1st November, 1956. Under this new Act the State of Bombay becomes one of the largest in India and with the final extinction of the Princely States the map of India takes on a rational and logical appearance such as it has never had in the past. Sir Chintaman Deshmukh, the Finance Minister, disagreed with the Government over the States Reorganisation Bill, insofar as it affected Bombay, and resigned his post in the Government. After an interregnum Mr. T. T. Krishnamachari became the Finance Minister and Mr. Morarji Desai, lately the Prime Minister of Bombay, went to the Centre as Minister of Commerce and Industry.

Mr. Krishnamachari introduced a surprise Autumn Budget which among other things included the re-introduction of a Capital Gains Tax, increases both in direct and indirect taxation, a proposal to siphon off reserves in private enterprise for the benefit of the public sector, and steps to bring the banking services under closer control by the Reserve Bank of India. A motion to nationalise all Banks in India was heavily defeated in the Lok Sabha.

The Foreign Policy continued to be directed by the Prime Minister, Pandit Nehru, who continues to maintain his policy of neutrality and non-alignment. During the Suez crisis he was under much pressure to sever India's connection with the Commonwealth, but stoutly refused to do so. During the year a British Consortium signed a contract with the Government of India for the erection of a steel plant at Durgapur. This plant is designed to produce ultimately a million tons of steel per annum and is the third such plant, the other two being respectively German and Russian, to be under construction in India at this time.

The second Five Year Plan is already rapidly getting under way and is estimated to have a total cost of some 5,300 crores of Rupees. Inevitably this vast project will have repercussions on many aspects of Indian life. Initially it is almost inevitable that a degree of inflation and high taxation must be anticipated and indeed is already taking place. It must be hoped that the ultimate effects of the great production and employment that this plan is hoped to produce will justify this great undertaking.

Towards the close of the year some anxiety has been caused regarding the country's economy following a con-

tinued rise in price levels, continued substantial dwindling of foreign exchange resources and the monetary stringency in the Banking system. It is unfortunate that at this time the Indian jute trade, which is one of India's principal earners of foreign exchange, is passing through a time of economic crisis and heavy losses. The tea and cotton industries have both had a fairly successful year and on the whole labour relations throughout India have been reasonably harmonious.

## Pakistan

On the 23rd March, 1956, the new Constitution was adopted and the Islamic Republic of Pakistan with Major General Iskander Mirza, who had been Governor General, as the first President came into being. Pakistan, however, remains a member of the Commonwealth. The enactment of this new Constitution was a personal triumph for the Prime Minister, Choudhury Mohamed Ali, but, as a result of political realignments, he subsequently resigned, and Mr. H. S. Suhrawardy became Prime Minister in his place, heading a coalition whose principal component is the Awami League. Mr. Suhrawardy is an experienced politician and capable of real statesmanship: his task is formidable but all well-wishers of Pakistan will hope for his success.

In May, 1956, a draft five-year Plan was published envisaging the expenditure of Rs.800 crores in the public, and Rs.360 crores in the private sectors, estimated to increase National Income by 12 per cent., food grain production by 13 per cent., provide employment for two million people and increases in electric output, irrigation, etc. The Plan relies upon foreign aid for some Rs.300 crores of finance. It is regarded as being moderate and realistic and has been well received in the country but it has been criticised as putting far too little emphasis on agriculture and communications including port facilities.

Industrial development of East Pakistan is now receiving urgent consideration and may be greatly helped by the discovery of a gas field in Uchh. The jute industry now has some 7,750 looms and plans by 1960 to have an output of jute manufactures capable of meeting over 30 per cent. of world consumption. Pakistan's devaluation in July, 1955, has undoubtedly helped her export trade in raw and manufactured jute and cotton, but the necessity of importing and distributing very large quantities of food-stuffs particularly in East Pakistan has proved a major headache and resulted in much suffering in that State last year. No less than 883,000 tons of food were imported into East Pakistan and 600,000 to West Pakistan. The value of these food imports was in the neighbourhood of Rs.80 crores which, had it not been for American aid, would have seriously affected Pakistan's foreign exchange position. There is no doubt that Pakistan will continue to need foreign aid for some time to come notwithstanding the strenuous efforts she is making, by severe restrictions in imports at the expense of some degree of inflation, coupled with an industrial programme designed further to reduce imports and to increase her income from exports.

## Ceylon

The Ceylonese General Election, held in April, 1956, resulted in the unexpected defeat of Sir John Kotelawala's Union National Party and its replacement in power by the Peoples United Front Party under the Premiership of Mr. S. W. R. D. Bandaranaike.

It was believed that the policy of the P.U.F.P. included reductions in the price of rice, legislation to make Sinhalese

## BALANCE SHEET OF THE MERCANTILE BANK OF INDIA, LIMITED 31ST DECEMBER 1956

	£	£	£
<b>Capital Authorised</b>			
150,000 "A" shares of £5 each	750,000		
150,000 "B" shares of £5 each	750,000		
1,500,000 "C" shares of £1 each	1,500,000		
	<u>£3,000,000</u>		
<b>Capital Issued—</b>			
150,000 "A" shares £2 10s. paid	375,000		
150,000 "B" shares £2 10s. paid	375,000		
720,000 "C" shares £1 paid	720,000		
	<u>2,000,000</u>		
<b>Reserve Fund</b>		1,470,000	
<b>Balance of Profit</b> unappropriated carried forward to 1957	224,521		
	<u>2,224,521</u>		
<b>Current Liabilities, Provisions and Other Accounts—</b>			
Notes in Circulation against security per contra Current and Fixed Deposit and Other Accounts including Provisions for Taxation on Profits to date, Doubtful Debts and Reserves for Contingencies	219,013		
<b>Bills Payable</b>	89,440,154		
Acceptances on account of Customers per contra	1,316,893		
<b>Balances due to Subsidiary Companies</b>	124,167		
Proposed Final Dividend, less Income Tax	43,470		
	59,167		
	<u>71,202,864</u>		
			<u>£74,897,385</u>
<b>Current Assets—</b>			
Cash in hand, at Call and at Bankers			9,777,682
Investments (Quoted Investments at or under market value; unquoted Investments at or under cost)—			
British, Dominion and Colonial Government and Other Securities (including £265,000 British Government Securities deposited against Note Issue):			
Quoted in Great Britain		10,866,211	
Quoted elsewhere than in Great Britain		6,048,180	
		<u>16,914,341</u>	
Unquoted (including Federation of Malaya Treasury Deposit Receipts, £1,050,000)		1,266,418	
			<u>18,180,759</u>
<b>Hong Kong Government Certificates of Indebtedness deposited against Note Issue</b>			105,605
<b>Bills Receivable</b>			17,281,329
<b>Loans Receivable, Advances and other Accounts including Amounts due by Agents</b>			28,755,859
<b>Liability of Customers for Acceptances per contra</b>			124,167
			<u>46,266,960</u>
<b>Shares in Subsidiary Companies at Cost</b>			74,225,401
			<u>55,237</u>
<b>Fixed Assets—</b>			
Freehold Banking Premises, and Property at Cost less Amounts Written off			616,747
			<u>£74,897,385</u>

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1956

	£	£
<b>Amount transferred to Officers' Pension Fund</b>		
<b>Amount written off Freehold Banking Premises and Property</b>	13,000	
<b>Additional Allocation to Contingencies Account</b>	50,000	
<b>Dividends:—</b>		
Interim Dividend of 7 per cent., less Income Tax at 8/6 in the £	59,168	
Proposed Final Dividend of 7 per cent., less Income Tax at 8/6 in the £	59,167	
	<u>118,335</u>	
<b>Balance of Profit</b> unappropriated carried forward to 1957	224,521	
	<u>£455,856</u>	
<b>Balance brought forward from 31st December, 1955</b>		219,372
<b>Profit for the year ended 31st December, 1956,</b> after providing for Taxation thereon, and after allocations to Contingency Accounts, out of which full provision has been made for Bad and Doubtful Debts and any other diminution in the value of Assets		236,484
		<u>£455,856</u>

NOTE.—Directors' Remuneration.—The aggregate amount of the Directors' Fees was £11,400 (1955, £11,400).

the official language, and some degree of nationalisation including that of foreign owned estates.

Economically the year 1956 proved less prosperous for Ceylon than the preceding year. This was largely due to circumstances outside Ceylon's own control. Adverse weather conditions, including the severest drought in 50 years, caused deterioration in the quality of tea and a falling off in coconut production. Delays in Colombo due to dock labour unrest and towards the end of the year the diversion of shipping round the Cape all had adverse effects on Ceylon's balance of trade. The Port development scheme was completed and ships are now able to go alongside for loading and discharging cargo. Given freedom from labour disputes, Colombo Harbour should regain efficiency and cease to handicap the Island's trade as it has of recent years.

In May, 1956, the Development Finance Corporation of Ceylon was set up with a subscribed Capital of Rs.6,000,000 to assist in the finance of new industrial undertakings in the private sector. The Government also attach considerable importance to agricultural development and work is to begin on two major schemes, the Giritale Extension Scheme and Muthurajawela Scheme with the object of increasing the production of paddy. As foodstuffs, particularly rice from Ceylon's principal import it is clearly most desirable that the Island should be made less dependent on imports from overseas of this essential foodstuff.

### Burma

There is not very much change to report in regard to Burma during the past year. General Elections were held in April, 1956, as a result of which the Anti-Fascist Peoples Freedom League were overwhelmingly re-elected, a coalition of opposition parties having fallen apart before the election took place. Subsequently, the popular Premier U Nu resigned in favour of U Ba Swe in order to devote his time to the strengthening and internal re-organisation of the Anti-Fascist Peoples Freedom League of which he continued to be President. It is now reported that he will shortly be resuming the Premiership.

The problem of dealing with the insurgents has not yet been solved in Burma, and until it is, the establishment of the rule of law and order throughout the land will remain unsolved.

In the financial field it is satisfactory to report that Burma's foreign exchange reserves which at the beginning of the year stood at K.405.5 million rose by the end of December, 1956, to K.569.6 million. This improvement is most welcome and is largely due to the strict limitation of imports. During the financial year which ended on the 30th September, 1956, 1,932,000 tons of rice and rice products were shipped. Out of this total 459,000 tons were on account of barter agreements despite which the total foreign exchange earnings were in the neighbourhood of the equivalent of K.96 crores and practically none of the 1956 crop has had to be carried over into the new year unsold. This in comparison with previous years when there were large carry-overs of unsold rice stocks is indeed satisfactory. On the other hand, only a fifth of the petroleum was produced in 1956 than was produced in 1939 and only a quarter of the teak and silver. Burma's potential export of her natural resources therefore is very great provided that tranquil conditions could be brought about throughout the country.

During the year loans were obtained from the World Bank, the Government of India, and the United States Government primarily to be used in the development of the Port of Rangoon and the railway system.

Disturbing features are the gradual elimination of private enterprise by State organisations and the infiltration of Communism into the Rangoon Universities Students' Union which may present the Government with serious problems in the future if it is permitted to continue.

Towards the end of the year Chou En-lai of China visited Rangoon and negotiations are continuing for with-

drawal of Chinese troops who occupied Burmese territory adjacent to the Border with China.

### Federation of Malaya

The Federation of Malaya has enjoyed a successful and prosperous year in 1956. Both imports and exports made a substantial increase and the prices of Malaya's two main exports—rubber and tin—have maintained a satisfactory level averaging around 96 cents a lb. for the former and \$386 a picul for the latter.

By an Agreement signed by Her Majesty's Government on 8th February, 1956, a considerable degree of self government was brought into immediate effect and it is understood that there is every probability of full independence by the end of August, 1957. The Constitutional changes effected immediately by the Agreement of February, 1956, provided for the appointment of a Chief Minister and this office was assumed by and is still held by Tengku Abdul Rahman, who also assumed responsibility for the internal security of the country under the newly created post of Minister for Internal Defence and Security. Responsibility for finance including foreign exchange was transferred to a Minister of Finance and this office was assumed by Col. H. S. Lee.

The Emergency created by Communist terrorists still continues and although it has been estimated that something like 80 per cent. of the terrorists who entered the jungle in 1948 and since, have been eliminated, it is nonetheless a fact that terrorist inspired incidents continue although they have been considerably reduced. There is no doubt that terrorism will continue to be a thorn in the side of the new Government unless firm steps continue to be taken against it.

Thus a new chapter in the history of the Federation of Malaya having begun in 1956 will presumably come to fruition in 1957. The new Government will start off with enthusiasm and expansive plans which all well-wishers of Malaya must hope will attain success and lead to increased prosperity for the Federation.

### Singapore

1956 proved to be another prosperous and successful trading year for Singapore. Rubber averaged about 95 cents over the year and tin was obtaining good prices. The outlook for 1957 appears also to be favourable.

The year has also been eventful in the political field. Early in the year the Chief Minister, Mr. David Marshall, together with members from the other political parties, proceeded to London for constitutional talks which broke down on the question of internal security. On his return early in June Mr. Marshall resigned his position as Chief Minister and was succeeded by Mr. Lim Yew Hock.

Rioting took place in October following upon the closure by the Government of certain Chinese Middle Schools which had become a hotbed of political activities of a subversive nature. The Chief Minister's firm handling of this situation created a very good impression and was responsible in large measure for the return of confidence. Although there were a number of strikes during the year there were in fact considerably less than in 1955 and labour relations have towards the end of the year improved.

Plans have been made to set up an Industrial Promotions Board to encourage and develop local industries in the Island of Singapore. An Institution of scientific and industrial research is also being set up to investigate and give advice chiefly on the technical and economic aspects of industry and an expert has been engaged to undertake this work. Government has made it clear that it will do all it can to encourage the investment of foreign capital in the Colony and to create a suitable climate for industry. It is evident that if Singapore is to maintain its position as a great communication and trading centre and keep abreast of the times

a large development programme will require to be undertaken and the means for financing such a programme are under consideration.

#### Indonesia

The re-emergence of this important country to a state of fiscal integrity and domestic stability is a matter desired by all countries with whom her trade and commerce can be of mutual benefit. Teething troubles in a young country are inevitable and the recent Sumatra troubles may be the prelude to progress resulting in due course to Indonesia taking its rightful place in the trade and commerce of South East Asia.

#### Thailand

Thailand continues to be one of the most prosperous and contented countries in South East Asia, under the able Premiership of Marshal Pibul Songgram. There are to be elections in February for a proportion of the seats in the existing one Chamber Parliament but the Premier recently announced that the present Constitution would be changed in order to provide for an Upper and a Lower House of Parliament; a further step towards liberalisation of the Constitution.

Economically Thailand had a good year. The paddy crop is estimated by the Ministry of Agriculture to be close on 8,000,000 tons of which nearly 1,200,000 tons have been exported and the carry-over into the New Year, which in the past has frequently amounted to as much as a quarter of a million tons, this year is regarded as negligible. The timber industry had a somewhat difficult year owing to an increase in costs, whilst the completion of the Chainat Dam across the Chao Thya has seriously hampered the delivery of rafts of timber to Bangkok. The tin, cement and sugar industries all show increased output the latter being expected to supply the country's entire requirements by the end of 1957. The Government controlled Cotton Mill in Bangkok is also said to be increasing its spindleage and by the end of 1957 should be capable of producing over 75 per cent. of the country's estimated requirements. A new paper mill is under construction just outside Bangkok and when this is in full production it is estimated that the country's total requirements will be provided. A plant for the manufacture of gunny bags which is being reconstructed and enlarged has also been taken over by the National Economic Development Corporation and is expected to come into production during 1957 and provide 25 per cent. of local needs, roughly 5½ million bags annually.

To open up the country with a network of fine roads the 1956 Government programme of highway construction provides for an outlay of Tcs.2,000,000,000 of which 20 per cent. was subscribed under American aid.

#### Hongkong

Hongkong has had another successful and prosperous year. Both imports and exports show increases in excess of 25 per cent. over the 1955 figures. In the case of exports the principal increases have been to Indonesia, Japan and Thailand. The principal exports to Indonesia consisted of piecegoods and enamelware. The principal increases in imports have come from Japan, China, the U.S.A. and the United Kingdom. The principal imports from China consisted of oilseeds, paper and piecegoods. Local industries in Hongkong continued to make great strides and exports of locally-made products continued to expand. In value cotton yarn and cotton piecegoods head the list of exports but the value of enamelware shows considerable increase over the year. The variety of goods turned out by local industry is considerable and the Colony has become noted for the price, quality and range of the products of its light industries. Amongst the most important of these products apart from cotton piecegoods and cotton yarn are ready-made garments of all kinds, enamelware, torches, vacuum flasks and rubber and leather foot-

wear; also brocade, embroideries and drawn work of typically Chinese design and manufacture.

The Colony's shipbuilding repair industry continues to expand and with its modern equipment and low costs is becoming a popular repair centre for many important shipping lines. Work is proceeding on the new Airport at Kai Tak in Kowloon and it is expected to come into use in August, 1958. A new power station is also being erected at North Point. The vast problems of housing, providing work and education for the large numbers of refugees who continue to come to Hongkong, are being resolutely tackled by the Authorities with some success.

#### Mauritius

The 1956 sugar crop in Mauritius was an all-time record at the figure of 571,893 metric tons produced at an average extraction rate of 12.94 per cent. which is also a record. The Commonwealth Sugar Agreement has been extended for a further year, i.e. up to and including the year 1964 and under the terms of the International Sugar Agreement the export quota for Mauritius remains the same at 470,000 long tons. Of this 335,000 tons will be purchased by the Ministry of Food at an increased price of £42 3s. 4d. per ton against £40 15s. 0d. per ton for the previous crop. The balance of 135,000 tons will therefore be offered for sale in the preferential markets in the United Kingdom and Canada.

It is estimated that the Cyclone and Drought Insurance Fund exceeded the sum of Rs.95 million by the end of 1956.

In May, 1956, the Legislative Council adopted a new Constitution for Mauritius proposed by the Secretary of State for the Colonies. The principal changes in the Constitution include that the present electoral system should be replaced by proportional representation by means of a single transferable vote; that the Legislative Assembly shall be composed of 25 elected members after a General Election in 1958; that a member of the Executive Council shall receive the title of Minister and the responsibilities of certain services be entrusted to six unofficial members of the Executive Council.

It is to be hoped that the new Constitution will provide a workable and satisfactory form of Government until with the efflux of time there evolves some sense of common Mauritian citizenship among the various races and creeds who at present form the population of the Island.

Trading conditions generally during the year have been satisfactory although towards the close there was some inevitable disruption owing to the closure of the Suez Canal.

The small Tea Industry has continued to expand on a moderate scale. Government have approved a Scheme designed to assist the development of the industry on a substantial scale by subsidies and contributions to capital costs of establishing plantations. If the pilot scheme is successful development on a larger scale is foreshadowed and finally should provide a much needed secondary industry for the Island.

The finances of the Island continue to be sound. For the year ended 30th June there were increases both in revenue and in expenditure. Revenue exceeded expenditure by some Rs.10 million and draft estimates for 1956/57 reveal that 35.7 per cent. of the revenue is to be derived from direct taxation with a further 23.4 per cent. accruing from Customs duties. On the expenditure side the largest items are again education and health which will account for 28.9 per cent.

Population continues to grow rapidly and it has been estimated that at the normal rate of increase the population of the Island may attain the million mark by 1972.

#### Japan

1956 has proved to be far the best year for Japan since the war. Exports rose by a further 25 per cent., domestic

trade showed a healthy expansion, productivity improved and the harvest although not quite so large as the previous year was still exceptionally good. Moreover these benefits have not been diminished by inflation, for prices remained stable and so all sections of the Nation enjoyed conditions of prosperity with better living standards than for nearly 30 years. It is estimated that industrial production as a whole increased by no less than 25 per cent. over the production of 1955. Consumption demand has increased both internally and also for exports, particularly to South East Asia and North America. The closure of the Suez Canal has undoubtedly contributed to some extent to the boom that Japan is now enjoying. It seems probable that there will be needed adjustments in Japan's taxation laws and probably closer trading relations with China.

It is good to report that Japan was admitted to the United Nations in December, 1956. The ratification on December 12th of the joint declaration between Soviet Russia and Japan re-established diplomatic relations between those two countries and virtually ended the state of war which had existed for over 11 years.

There is every reason to believe that given normal conditions the present era of prosperity for Japan should continue throughout the coming year.

#### Shanghai

Further substantial progress has been made towards the final settlement of our affairs in Shanghai. An Agreement

was entered into with the Chinese Government Authorities whereby we relinquished to them our valuable local assets against the assumption of responsibility by them for settlement of all our local currency liabilities in China, as assessed against us by that Government. A further Agreement was entered into with the same Authorities for agreeing and settling the amount of our Shanghai Branch foreign currency liabilities. These latter included a substantial amount of U.S. dollars held blocked under American legislation and after protracted negotiations, and through the good offices and assistance of H.B.M.'s Embassy in Washington, a licence was obtained from the American Treasury Department under which settlement was effected by us in sterling. This materially aided in obtaining the repatriation from China of Mr. D. A. Smith, our Shanghai Manager and last British employee in China.

It was a part of the Agreement that, on receipt of the foreign currency payment from us after the departure of Mr. Smith, steps would be taken to close our books in Shanghai by effecting payments where possible and transfer of the remaining liabilities to the books of a Chinese Bank. We regret that despite the lapse of many months no progress has yet been made in fulfilling this undertaking. We trust the Chinese Authorities will now give the necessary instructions to expedite a final settlement.

## THE BANK OF EAST ASIA, LTD. HONGKONG

The Thirty-Eighth Ordinary Yearly General Meeting of The Bank of East Asia, Ltd. was held at the Registered Office of the Bank, No. 10, Des Voeux Road Central, on Saturday, 9th March 1957 at 2.30 p.m. The Hon. Sir Shouson Chow, Kt., LL.D. (Chairman of the Board of Directors) presided. Others present were: Mr. Kan Tong Po (Chief Manager), Messrs. Wong Yun Tong, Li Lan Sang, Fung Ping Fan, Y. K. Kan, Li Fook Shu (Alternate Mr. Li Koon Chun) (Directors) and many other shareholders.

The Chief Manager having read the Notice convening the Meeting, the Chairman then said:—

"The Reports of your Directors and Auditors and Statement of Accounts for the year ended 31st December, 1956, have been in the hands of members for sometime, and I will therefore, with your permission, take them as read.

I am happy to state that the year 1956 was one of further growth and progress of your Bank. The Net Profit for the year, together with the balance brought forward from the previous year, available for appropriation amounts to \$4,940,034.04 as compared with \$4,723,360.17 for the previous year. In the light of this satisfactory result, your Directors have felt justified in recommending a dividend and bonus of \$12.- per share, in comparison with the \$10.- paid previously. The total of the Balance Sheet, which reflects strength and liquidity, has this year risen to \$138,362,232, an increase of \$7,255,184. Our Current, Deposit and Other Account was \$103,254,629 at the year's end, as compared with \$98,410,882 for the previous year.

From time to time I have commented on the importance of rendering good services to our Overseas Chinese customers. In this connection, I wish to draw your attention to the development of our Branches whose business has steadily increased in volume.

During the year under review, our foreign business continued to expand. The increasing and constant strengthening of our foreign correspondents is of great assistance to us in handling foreign transactions of our domestic clients as well as in obtaining more business activities from our correspondents.

I do not think that there is anything further that requires comment, and I therefore beg to propose that the Report of Directors and Accounts as presented be adopted, and the total balance of \$4,940,034.04 available for distribution be dealt with as follows:—

Dividend and Bonus of \$12.- per share on 100,000 shares .....	\$1,200,000.00
Transfer to Reserve .....	1,500,000.00
Written off Bank Premises .....	250,000.00
Provision for Corporation Profits Tax .....	400,000.00
Transfer to Staff Pension Fund .....	250,000.00
Carry Forward to the year 1957 .....	1,340,034.04
	<hr/>
	\$4,940,034.04

In conclusion, I would once more like to pay tribute to our staff, both here and abroad, for their loyal and efficient service during the past year, and for the contribution they have made to the results achieved."

The motion was seconded and carried unanimously.

Messrs. Li Lan Sang, Fung Ping Fan and Y. K. Kan were duly re-elected Directors for the year 1957. Messrs. Peat, Marwick, Mitchell & Co. were duly re-appointed as Auditors for 1957.

## BALANCE SHEET AT 31st DECEMBER, 1956

LIABILITIES		Hongkong Currency	ASSETS		Hongkong Currency
CAPITAL AUTHORIZED			CURRENT ASSETS		
500,000 Ordinary Shares of HK\$100 each	HK\$50,000,000.00		CASH IN HAND AND AT BANKERS		\$ 85,583,138.77
			INVESTMENTS		
CAPITAL ISSUED			British and Colonial Government Securities at market value on 31st December, 1956	\$5,162,712.93	
100,000 Ordinary Shares of HK\$100 each, fully paid		\$ 10,000,000.00	Shares in Public Companies at market value on 31st December, 1956	2,071,837.54	
RESERVE		13,500,000.00	Properties and Unquoted Shares at cost or Chief Manager's valuation less amounts written off	4,325,032.83	11,559,583.30
PROFIT AND LOSS APPROPRIATION ACCOUNT		1,340,034.04			4,677,533.19
		\$ 24,840,034.04	BILLS RECEIVABLE		
CURRENT, DEPOSIT AND OTHER ACCOUNTS		108,254,629.29	ADVANCES TO CUSTOMERS & OTHER ACCOUNTS		25,044,408.07
Including reserves and provisions for taxation and contingencies					\$126,864,563.33
PROPOSED DIVIDEND AND BONUS			FIXED ASSETS		
In respect of the year ended 31st December, 1956		1,200,000.00	BANK PREMISES at cost less amounts written off	\$2,300,000.00	
FOREIGN CREDITS, ACCEPTANCES AND GUARANTEES ON ACCOUNT OF CUSTOMERS		9,067,568.81	FURNITURE including Safe Deposit Boxes at cost less amounts written off	120,000.00	
			INVESTMENT in Subsidiary Nominee Company, at cost	10,000.00	2,430,000.00
			CUSTOMERS' LIABILITIES ON FOREIGN CREDITS, ETC. (as per Contra)		9,067,568.81
					\$138,362,232.14

Notes:—

- (1) The Assets and Liabilities of the Branches in China have been incorporated in the above accounts at nominal values.
- (2) There are commitments in respect of outstanding Forward Exchange Contracts.
- (3) Foreign Currency Balances have been converted at approximately the rates ruling at 31st December, 1956.

SHOUSON CHOW }  
WONG YUN TONG }  
LI LAN SANG }

REPORT OF THE AUDITORS TO THE MEMBERS OF THE BANK OF EAST ASIA, LIMITED

We have examined the above Balance Sheet with the books and securities of the Bank in Hongkong and with the accounts of the Branches which have been signed by the Branch Managers and have obtained all the information and explanations we have required.

In our opinion the Balance Sheet, with the notes thereon, is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs at 31st December, 1956 according to the best of our information and the explanations we have required.

**PEAT, MARWICK, MITCHELL & CO.**  
Chartered Accountants,  
Auditors.

Hongkong, 12th February, 1957.

## THE HONGKONG AND SHANGHAI BANKING CO.

1955 Hongkong Dollars		Hongkong Dollars	Sterling Equivalent
<b>SHARE CAPITAL</b>			
	Authorised and Issued		
\$ 25,000,000	200,000 Shares of HK\$125 each, fully paid	\$ 25,000,000	£ 1,562,500
<b>RESERVE LIABILITY OF MEMBERS</b>			
	HK\$125 per share on 200,000 Shares	\$ 25,000,000	
128,000,000	<b>RESERVE FUND</b>	128,000,000	8,000,000
10,606,689	<b>PROFIT AND LOSS ACCOUNT</b>	11,039,578	689,974
\$ 163,606,689		\$ 164,039,578	£ 10,252,474
<b>HONGKONG CURRENCY NOTES IN CIRCULATION</b>			
30,000,000	Authorised Note Issue	\$ 30,000,000	
645,742,000	Excess Note Issue	645,742,000	42,233,875
<b>CURRENT, DEPOSIT AND OTHER ACCOUNTS,</b> including Reserves and Provisions for Contingencies and Taxation			
2,557,375,793		\$2,564,287,832	
397,962	<b>AMOUNTS DUE TO SUBSIDIARY COMPANIES</b>	378,395	
20,355,912	<b>ACCEPTANCES ON BEHALF OF CUSTOMERS</b>	16,130,379	
9,721,519	<b>PROPOSED FINAL DIVIDEND</b> in respect of the year ended 31st December, 1956	9,721,519	2,590,518,125
			161,907,382
Notes:			
1. Confirmed Credits, Guarantees and Endorsements amount to HK\$582,971,778 (HK\$611,475,070) in addition to which there are commitments in respect of outstanding Forward Exchange Contracts.			
2. Foreign Currency Balances have been converted into Hong Kong Dollars at approximately the rates ruling at 31st December, 1956. The Sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK\$1=1/3d.			
3. Investments having a market value of HK\$34,677,504 are deposited with The Crown Agents to cover the liability in respect of the Authorised Note Issue to the extent of HK\$23,333,333.			
\$3,427,199,875		\$3,430,299,703	£214,393,731

MICHAEL W. TURNER  
Chief Manager.

J. A. H. SAUNDERS  
Chief Accountant.

## PROFIT AND LOSS ACCOUNT FOR

1955 Hongkong Dollars		Hongkong Dollars	
\$ 6,467,368	Interim Dividend of £2 per Share, paid 13th August, 1956, £400,000 at 1/2-13/16	\$ 6,481,011	
Appropriations recommended by the Directors:			
4,000,000	Amount to be written off Bank Premises	\$ 4,000,000	
9,721,519	Final Dividend of £3 per Share, £600,000 at 1/2-13/16	9,721,519	13,721,511
10,606,689	Balance carried forward to next year		11,039,578
\$ 30,795,576			\$ 31,242,110

Special Administrative Expenses, including Chief Manager's emoluments, Directors' Fees and London Committee Fees amounted to HK\$964,015 (HK\$1,045,918).

1955 Hongkong Dollars		Hongkong Dollars	Sterling Equivalent
\$ 260,260,417	CASH IN HAND AND BALANCES WITH OTHER BANKS	\$ 200,966,739	£ 12,560,421
189,788,034	MONEY AT CALL AND SHORT NOTICE	149,986,529	9,374,158
227,066,484	BRITISH AND OTHER GOVERNMENT TREASURY BILLS	220,746,319	13,796,645
560,740,284	TRADE BILLS DISCOUNTED	600,015,157	37,500,947
	HONGKONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS issued in respect of funds deposited as security for the Excess Note		
645,883,047	Issue	645,883,047	40,367,690
	INVESTMENTS, at under market values:		
	British, Colonial and Other Government Securities:		
281,850,080	Quoted in Great Britain	\$211,303,280	
99,795,379	Quoted outside Great Britain	105,741,011	
	Other Investments:		
19,722,968	Quoted in Great Britain	18,096,610	
13,977,628	Quoted outside Great Britain	13,944,029	349,084,930
	ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS, less provision for Bad and Doubtful Debts	1,213,501,940	75,843,871
1,069,660,411		5,497,165	343,573
10,146,901	AMOUNTS DUE BY SUBSIDIARY COMPANIES	16,130,379	1,008,119
20,355,912	LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, per contra		
\$3,399,248,545		\$3,401,812,205	£212,613,262
	FIXED ASSETS		
9,264,179	Investments in Subsidiary Companies, at cost	\$ 9,263,842	
—	Investment in Associated Company, at cost	1,603,499	
18,687,151	Bank Premises at cost, less amounts written off	17,620,157	28,487,498
			1,780,469
\$3,427,199,875		\$3,430,299,703	£214,393,731
	C. BLAKER J. A. BLACKWOOD H. D. M. BARTON	Directors.	

1955 Hongkong Dollars	Hongkong Dollars
\$ 10,215,256 Balance brought forward from 31st December, 1955 ....	\$ 10,606,689
Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made .....	20,635,421
20,580,320	
 <hr/>	
\$ 30,795,576	 <hr/> \$ 31,242,110 <hr/>

(Continued from Page 361)

elaboration and, although progress has been made, the lack of trained personnel has resulted, as in so much else, in the pace being slower than it might be. These difficulties can in time be overcome and there is no doubt that over the last year there has been a feeling of greater confidence in the future.

Trade has improved and the totals of both imports and exports seem likely to be higher than in 1955. Rubber still continues to be the mainstay but the timber industry showed an increase in the volume of exports of about 24% and this industry is generally on a more stable basis. The decision that Labuan should revert to its pre-war free port status became effective from 1st September. For many years Harrisons and Crosfield have acted as our agents in Labuan and this has been a satisfactory arrangement to our mutual benefit. In view of the change of status of this port, however, your directors considered that the time had come to open our own office which commenced business at the beginning of this year. Due to its geographical position Labuan has considerable future possibilities but a great deal remains to be done and I do not expect a rapid development.

#### BRUNEI

Progress continues to be made in the carrying out of the five-year development plan and this State remains in a very happy financial position. The surplus for 1957 is estimated to be M.\$75 millions, a slight increase over last year. The construction of the road from the capital to the oilfields at Seria is well under way and should be of considerable benefit to the State and the industry on which so much depends. A start has been made in drilling for oil offshore.

#### INDONESIA

Events in Indonesia have recently been changing with such rapidity that it is extremely difficult in a review of this nature to be entirely up to date. The elections held at the beginning of the year resulted in the formation of a coalition government under Mr. Sastroamidjojo with ministers mainly drawn from three parties but with others being represented. This government suffered from the stresses inherent in all coalitions and the rivalries of personalities and the groups they represent dominated the political scene. In the background there was the army—another factor to be reckoned with—which had interposed before and which it was felt might do so again. It is against this background that the numerous incidents reported in the press must be viewed. The position at the moment seems confused with the revolts in Sumatra, which started in December, still continuing and the future of the present government uncertain. Dr. Hatta, the Vice President, has already resigned and the influential Masjumi Party withdrawn from the government. This places a great responsibility on the President who is actively engaged in attempting to find a solution.

The economic situation has naturally suffered as a result of this instability and the reduction of the statutory gold and foreign exchange reserves from 20% to 15% was announced last month. A similar reduction was made for three months in 1956 when assistance was obtained from the International Monetary Fund. The deteriorating position of government finance can be seen from the advances obtained from the Bank Indonesia which have risen to over 7,000 million rupiahs, while notes in circulation have also increased. This state of affairs is unlikely to improve as long as the present dissension continues with the difficulty of collecting revenue in the disturbed areas. It seems, therefore, that a return to economic health must await a settlement of the political differences and the restoration of law and order throughout the islands.

#### INDIA

India in recent years has built up for herself a position of considerable influence in world affairs and this is particularly so in Asia where many of the smaller countries look to her for leadership and watch with anxious eyes to see how her industrial development is proceeding—a development they are all trying to emulate to a greater or lesser degree. In particular her declared policy of neutrality is one which many others wish to follow and, although the dispute over Kashmir has soured relations with her near neighbour, and may, as a result of recent events, lower her own prestige, the interest in her progress is unlikely to be much diminished. The second five-year plan has, in particular, attracted considerable attention with its emphasis on heavy industry. In India this is considered vital to enable her to improve, or perhaps only to maintain, the standard of living of her growing population and all reports indicate that the government is determined to achieve the targets even if this is not found possible within the stipulated period. China, as we have seen, is also moving in the same direction, although under a very different form of government but with the same emphasis on speed. Whether either will be successful in this rapid move towards industrialisation, the future alone can show but the success of one over the other would be viewed by many as a triumph for that form of government. The determination of India to retain her parliamentary institutions can be seen from the elections recently held—a massive piece of organisation—in which it is estimated that 200 million people have had an opportunity to vote at 200,000 polling booths. Success in her economic aspirations would strengthen such institutions not only in India but in many other countries as well, and these aspirations are at the moment centred round the second five-year plan.

This plan has been the subject of much comment and criticism both in India and abroad and fears have been expressed that the dangers of inflation have not been sufficiently guarded against. Many doubt whether large enough resources have been allocated to raise the level of production of food and cloth to meet the increase in the supply of money, which the deficit financing will cause, while the adequacy of the transport system and port facilities is questioned. The estimate of the foreign exchange requirements of the plan is considered to be unduly optimistic and this has already resulted in a more general realisation of the necessity to attract foreign investment, but is the present treatment of the private sector the way to achieve this? These are some of the criticisms levelled at the plan and recent developments show that there is a good deal of substance in them.

During 1956 sterling balances dropped by about £150 millions, the wholesale price index rose by 13% while the cost of living went up by about 10%. These were danger signals that could not be ignored and an interim budget was introduced in November. This imposed a tax on capital gains, increased super tax on dividends and gave the government control over the reserve funds of companies to insure that they "are put to uses which promote industrial development in accordance with the plan". Customs duties were also raised. To protect the external balances severe cuts were made in imports, particularly consumer goods, and a ceiling was fixed on foreign exchange expenditure for the next six months. New projects in both the public and private sectors, which involve expenditure in foreign exchange, were postponed if no commitment had been made.

These and other measures, which there is not space to mention here, should have their effect but it remains to be seen whether they will be sufficient to halt inflation and reduce the drain on the foreign exchange reserves without any major adjustment of the plan. Meanwhile the International Bank is considering making loans for a number of

projects and a survey of transportation is being carried out by a mission from that bank while arrangements have been made to purchase U.S.\$200 millions from the International Monetary Fund.

These difficulties, which it is only proper I should mention, do not detract in any way from the considerable progress that has already been made or the magnitude of what is being attempted. Recently, for example, the Hirakud dam was opened which is claimed to be the longest in the world. This dam, mainly the work of Indian engineers, extends for about three miles with dykes on the flank to a total of thirteen miles. For the future it is hoped to increase steel production during the period of the plan by four million tons a year which will mean doubling the capacity of two existing plants and building three new ones. Construction of heavy machinery is also planned and a mission from the United Kingdom has recently visited the country to advise on what is required.

These are only a few of the many interesting developments that are taking place but before I leave India there are two matters of interest to our offices there which I should like to mention. The first is the Reserve Bank of India (Amendment) Act 1956 which gives that bank power to vary the cash reserves which scheduled banks are required to maintain with it. The second is the Banking Companies (Amendment) Act 1956, which inter alia requires the appointment of managers of banks to be approved by the Reserve Bank of India. Although I understand that the powers given under both these measures are only intended to be held in reserve, they are none the less disturbing. Circumstances change and policies with them and a very recent example of this is the State Trading Corporation. This was set up to carry on trade with the Communist countries, where a government organisation was considered advantageous, but the corporation is now competing to quite a large extent in imports from other countries which were formerly handled by the private sector.

#### BURMA

In Burma the elections in April resulted in the expected victory for the government party although the size of the opposition vote was greater than expected. The government was faced with a considerable number of problems, of which the most important was to establish and maintain law and order, and it is disappointing that very little progress seems to have been made in stamping out insurgency. Economically the misgivings I expressed last year regarding the success of the disposal of rice under barter agreements were unfortunately proving only too well founded; and the failure to maintain a level distribution of commodities was evidence of the weakness of the administrative machine. There has been some improvement since then as rice shipments, on which so much depends, have increased, which combined with continued restriction of imports has resulted in the foreign exchange reserves rising by about 25%. Unfortunately there has been a disturbing increase in the cost of living which rose sharply by 20% in the first six months of the year but has since come back to about 10% higher at the end of the year. In an effort to improve the distribution of essential goods five import corporations, with capital subscribed jointly by the government and the public, were set up towards the end of the year. Four of these corporations will be issued with import licences for general consumer goods while the fifth will concentrate on the requirements of industry. Capital expenditure was considerably reduced during the year and was limited to carrying out projects which were already started and it was estimated that the deficit would be only half of what was originally expected, while a small surplus is hoped for in the coming financial year. A long-term loan of U.S.\$25 millions was recently made by the United States of America which will be used in various ways, ranging from

the establishment of a medical centre to the expansion of the local air line and funds obtained from the International Bank will assist in the rehabilitation of the port of Rangoon and the railways. On the whole Burma seems to have overcome the difficulties caused by the fall in the price of rice since the end of 1953 and the over-ambitious development projects which were planned in the anticipation of a high price continuing. An improvement in internal security and a reduction in the cost of living are two important problems that still remain.

During the year a number of discussions took place with China regarding the line of the frontier between the two countries. This has been a subject of dispute for many years as the exact line of demarcation has never been settled. A joint statement issued in December indicated that no decision had been reached although it seems likely that the Chinese will withdraw from the Wa States in return for the secession of three villages in the Kachin States.

#### CEYLON

The general elections held in April resulted in a sweeping victory for the People's United Front and Mr. Bandaranaike became Prime Minister of a government which was pledged to institute a Ceylonese Republic and adopt a socialist programme including nationalisation of certain industries. So far the government has proceeded slowly and no very drastic steps have yet been taken. Discussions on the British bases were held during the year and in the House of Commons in December it was announced that "the United Kingdom Government will hand over the bases of Trincomalee and Katunayake to Ceylon in 1957 on a date to be agreed between the two governments". At the end of the year the People's United Front suffered a defeat in the Colombo Municipal elections and last month Mr. Dudley Senanayake, who has considerable popular following, announced his return to active political life. These developments can be construed as a sign of a swing back to the United National Party although it is true to say that the People's United Front have relied to a great extent for their support on the rural areas. The Official Language Bill was passed in July prescribing Sinhala as the official language of Ceylon and this has resulted in considerable dissension among the Tamil community. In this controversy I hope that the recent remarks made by the Indian Prime Minister on the importance of the English language are not being overlooked.

The favourable balance of trade has shown a considerable reduction over the record surplus obtained last year but external assets were little changed at the end of the year from 1955. A further agreement with China to supply rubber in exchange for rice was signed in December and Ceylon will continue to receive a price above the average monthly Singapore market price, although the premium is a little lower.

The budget presented in July brought only minor changes in taxation comprising rises affecting those in the higher income brackets and a small increase in company rates of taxation. It appears that the development programme I referred to last year has not been found acceptable to the present government and a National Planning Council has been formed to prepare a new overall plan for economic development. This will inevitably result in delay as it is not so much in the planning that the weakness lies as in the lack of technical personnel to carry out the tasks. It was stated in June by the Auditor General that two thirds of the funds put up by Commonwealth countries under the Colombo Plan remain unused which seems to bear out this contention.

On the whole the emergence of a government with such different views from the previous one has resulted in a period of reflection with so far little change.

### GENERAL

As usual I have tried to give shareholders a brief review of the political and economic conditions in the Asian countries in which we are represented. This can of necessity only touch on the main developments in these large areas, in many of which considerable changes are taking place. On the whole this has been a satisfactory year and, notwithstanding setbacks, has been marked by general political stability with growing economic expansion.

Before I close I should like to devote a little space to our offices outside these areas and to our subsidiaries.

Sterling is still the medium for the finance of a large part of eastern trade and for this reason our office in London plays an important part in all our activities. Business there continues to increase and a further enlargement of our premises is becoming necessary. This we shall do by taking over the second floor of our building when the present lease expires.

New York office has naturally benefited from the increasing use of United States dollars in world trade since the war and has greatly extended its operations in recent years.

Our office in France was transferred from Lyons to Paris in 1953 at the time when the economy of Indochina relied to a large extent on trade with France. This is no longer the case and with the dwindling of the traditional business, which had been previously handled, it was necessary to explore other avenues. In this I am glad to say we have been quite successful and I hope that this office will continue to build up satisfactory connections on its own.

Germany's increasing trade has been reflected in the turnover of our Hamburg office which continues to prove a most valuable link for our offices in the east.

To turn to our subsidiaries, the Hongkong and Shanghai Banking Corporation of California has made a good beginning and I hope that it will be able very shortly to contribute to the profits of the bank as a whole. The possibilities in the west coast of America are so extensive that the directors have decided to open also in Los Angeles and permission to do this has recently been obtained from the American authorities.

The three Trustee Companies in Hongkong, London and Singapore continue to expand. These companies are all now self-supporting but apart from this I am sure the service they are able to give indirectly increases the business of the bank.

While the main function of the Bank will continue, I trust, to be the financing of eastern trade, your directors will not be slow in taking advantage of promising openings elsewhere.

## REPORT BY THE CHAIRMAN OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

The annual general meeting of the Bank was held on 15th March when the Chairman of the Board of Directors (Hon. Cedric Blaker) submitted the following report to the shareholders:—

The profit for the year amounts to \$20,635,421, which represents a small increase over last year's figure. In accordance with our normal practice this profit has been arrived at after making transfers to the credit of our inner reserves out of which full provision has been made for all realised losses, the depreciation in value of our investments and all known doubtful debts and contingencies.

It is proposed that a sum of \$4 millions should again be written off Bank Premises and, after allowing for this

transfer and the interim dividend of £2 per share, the directors recommend the payment of a final dividend of £3 per share leaving a balance of just over \$11 millions to be carried forward to next year.

Turning to our balance sheet, it will be seen that the total of our liabilities has remained virtually unchanged; a small increase in Current, Deposit and Other Accounts having been offset by a slight decrease in the total of Acceptances on behalf of Customers. In this connection arrangements were completed during the year for the establishment of a separate trust to administer the Staff Retirement Scheme and the funds of this scheme, which were previously included among the Current, Deposit and Other Accounts, were transferred to the trust during the year.

On the Assets side of the balance sheet, the main changes are increases of \$144 millions in Advances to Customers and Other Accounts and of \$39 millions in Trade Bills Discounted. As a result of the larger facilities granted to our constituents, the total of cash, call money and government treasury bills has decreased by just over \$105 millions. Investments have also fallen by \$66 millions due partly to the drop in the market value of British Government securities but also as a result of sales of investments, which were mainly in connection with the transfer of the funds of the Staff Retirement Scheme to the separate trust to which I have already referred.

The investment in an Associated Company, which is a new item in the balance sheet, represents our one-third interest in Bowmaker (C.A.) (Private) Limited in which we are equal shareholders with Bowmaker Limited and Tozer, Kemsley and Millbourn Limited. This Company was incorporated on May 29, 1956 to trade in Central Africa, including the Rhodesias and Nyasaland, but for the present it will be mainly concerned with the granting of hire-purchase facilities in these territories.

These are the main changes in our balance sheet but I should like to say a little more about the rise in advances and trade bills which, as you have seen, has resulted in a drop in the total of cash, call money and government treasury bills. This rise is to a large extent due to the growing industrial and commercial expansion in Southeast Asia but that is not the only reason. It was not until the end of 1955 that the credit squeeze in the United Kingdom began to make itself felt in the eastern territories in which we operate, but during 1956 the shortage of credit to a greater or lesser degree became a matter of increasing concern to merchants and bankers alike. This was aggravated in our case by the fact that some concerns which had previously obtained a large part of their finance in London now turned to us, while on the other side, depositors took advantage of the high rates obtainable in the United Kingdom to transfer some of their funds there.

Governments also were not slow to follow suit and as a result the banking system in a number of territories was deprived of substantial sums at a time when the demand for advances, mainly for productive purposes, was very active. Even from a purely revenue producing angle I wonder whether this action was wise. Has not the lure of higher interest rates caused them to lose sight of the increased revenue that would have accrued to them through taxation had the funds been available for local development? For the future growth of these territories an over-investment of government funds abroad must result in a slowing down of the pace as this deprives the banking system of what is almost its life-blood.

I am afraid that as a result of the increasing demand for credit the standing of the borrower and the security offered are not the only considerations which have to be taken into account by our managers when approached for new facilities. The necessity to turn away business, which

## HONGKONG NOTES, COMMENTS AND REPORTS

**Elections:** Once again there were elections to Urban Council for four vacated seats and two 'parties' contested them, the Reform Club with its ebullient chairman Brook Bernacchi and the Civic Association. Three seats were won by the latter, and one seat by the former 'party'. With an estimated population of 3 million some 15,000 people were found enfranchised and of this small number only about 35% went to the polls. This proves that there is little interest in the Urban Council elections. It does not prove that there would be little interest if elections were ever held for a more important administration body—the Legislative Council for instance. The jurisdiction of the Urban Council (UC) is so limited and the affairs with which it deals so parochial—besides nominated members with the official chairman of the UC control its affairs effectively—that one cannot work up much enthusiasm for these elections. The public assumes that most candidates act out of praiseworthy motives—to serve the community without discrimination as to race, religion, sex and economic position—but there might be a few who are so ambitious and hopeful of future political opportunities, apart from the fact that social vanity is very rampant, that their candidacy could be suspected.

at other times would be most suitable, has, I am afraid, been forced on bankers in many parts of the world and we could hardly expect to escape. Nevertheless it is not a pleasant task and I hope that many will realise—to quote a saying from our schooldays—"that it hurts me more than it hurts you". In the interests of depositors and shareholders alike it would be most imprudent not to maintain a suitable degree of liquidity and, spread as our activities are over so many territories, this liquidity should, in our opinion, be higher than may be considered necessary by bankers whose interests are mainly confined to one single country. At December 31, 1956 the ratio of the Bank's readily realisable assets to its total liabilities, was just under 45% and, while your directors are satisfied that this is a safe margin, the drop over the last few years is a reminder that our ability to finance the capital and current requirements of our customers and friends must of necessity have some limitation.

On the whole the year was one of steady progress with an improvement in trade and your directors are very satisfied with the results, which would have been even better if it were not for a series of unfortunate losses which we suffered in Calcutta.

Since the time of the formation of the Bank the shareholders have been liable, in the event of the Bank being dissolved, for the full amount of the notes issued by the Bank; and have also been liable to contribute to the Bank's debts to the extent of the nominal value of each share. At that time such a liability was a usual condition for the establishment of a new bank in the Colonies in order to afford protection to the holders of notes and to the depositors. The growth of banks since these days has made such a protection unnecessary and recently in a number of instances arrangements have been made to do away with such a liability. In our case an amendment of the Ordinance is necessary and we have recently made representations to the government that this should be done. In fact, although there is provision for a small fiduciary issue of under \$7 millions, the note issue is fully covered by Certificates of Indebtedness and approved securities, while the depositors are protected by the very substantial reserves which have been built up.

There have been many admonitions that the 'citizens' here should take a more active and 'responsible' attitude in all civic affairs, especially in social welfare and charity, and that they should cast their votes when UC elections are being held. But first of all the term Hongkong citizen is only a euphemism for local residents, and even this term 'resident' is vague and open to official interpretation. The people of Hongkong are mainly Chinese citizens though an increasing number of them, for opportunistic reasons more than for love of the British Commonwealth, have obtained, on application, the 'privilege' of British naturalisation; and such applications are regularly submitted by Chinese, many of whom need travel documents or wish to emigrate from overcrowded Hongkong. Immigration from China continues in spite of some restrictions which cannot be fully enforced on account of the contiguity of Hongkong and Kwangtung Province and the seas surrounding the many islands of the Colony. Every month witnesses additions to the resident population, coming from all parts of China, also from overseas communities in SE Asia. The non-Chinese population, but for Indians (mostly Sindhis), is stationary and only amounts to a tiny fraction of the total. Unless a Hongkong citizenship is being defined and conferred on the 'citizen' here, not much community spirit can be aroused. There are many genuine philanthropists and there are more self-seeking dispensers of charity out for honours and titles who show what is called a responsible attitude towards the 'citizens' but the public at large is not deeply interested in the promotion of the wellbeing of a community which lacks the essentials of a national group.

That is the reason why the present form of administration here has been found satisfactory since this Colony came into being, and that a change of this form is not favoured by the public at large. What has made this unusual 'benevolent autocracy' of ours even more desirable is the fact that our 'obedient servants' are generally competent, hard working, honest and progressive. One couldn't get a better administrative set-up in the world. So why change if what we could get would certainly be worse—much worse.

**Hunghom in 1957:** East of the central Kowloon foothills—the massif from King's Park, at Gascoigne Road, to Argyle Street—through which the main artery of Chatham Road and Matauwei Road winds, the district of Hunghom has developed in recent years with astounding speed. The district is as ill-defined as are other districts of the cities of Hongkong (or Victoria) and Kowloon (which latter city ranges from Tsimshatsui point in the south to the 'nine dragon' (kow-loon) hills in the north, from Kuntong in the east to Laichikok in the west).

Hunghom (officially spelled in two syllables, as most names of Chinese origin, Hung Hom) has now a population of 200,000 (which compares with 750,000 people of Shamshuipo district, the most heavily populated district of the city of Kowloon). The police share jurisdiction in the Hunghom district as follows: in the extreme south the Tsimshatsui police, up to about the Kowloon City ferry (in Tpkawan) the Hunghom police, and north of that area the Kowloon City police. Only a short while ago Hunghom was principally an industrial quarter with many of the leading factories located there, including the China Light & Power Co., Grefn Island Cement, the Hongkong & Whampoa Docks, cotton spinning mills, etc. But with the population rising and squatters overflowing the hills and any vacant sites, private and public building has been so successful that today Hunghom is a major residential district; and with thousands of flats and

other accommodation being presently under construction, another 100,000 people will soon be living in that district.

Squatters are found all over the district in various states of civilisation. In the area west of Chatham Road, especially below the cliffs of the 'central Kowloon massif' there are scenes reminiscent of Stone Age pictures shown in illustrated magazines. The deplorable state of misery and destitution in these squatter areas defies description; what one sees at Lolunghang and Shekshan villages and environment is most depressing. And then the many abandoned corpses. . . .

The progress of the large reclamation south of Hung-hom proper is heartening indeed, and the construction of the new technical college there has just commenced. There will be playing fields and a park, we hope, for the less energetic members of the public, when the reclamation has been accomplished. On a piece of land adjoining the Docks, and formerly part of their big property (which includes a craggy hill once rumoured to be levelled down and thus giving way for new building sites), a housing estate has sprung up of the usual cheap type; eight stories tall, ferro-concrete, bricks, tiny staircases, low ceilings, cubicle-type rooms. The only bright thing about these many blocks of cheap accommodation is the colour on the outside walls—green, pink and the rest of the rainbow. Behind the Docks stretches the Taiwan peninsula with the Taiwan hill. Recently the hill has been attacked to make room for so-called resettlement blocks, three of which are up and fully occupied. These blocks (eight stories high, of the H-type) contrast unfavourably with other blocks which a housing society has recently completed in Hokyuén (officially, but erroneously spelled Hok Un, meaning Crane Garden). Hok-yuén is the centre of Hunghom district where also the police station is located. The housing society is constructing more blocks and contributing to the levelling of another hill

which has provided, as well as the Taiwan hill, for much of the afore-mentioned Hunghom reclamation fill. A very large housing estate is now under construction on the site of the former Bailey dockyard and on some reclaimed land in front of it, to the east of Matauwei/Tokwawan roads. There will soon be several hundred new flats, mosquito type, available for both renting out and outright purchase. In the Tokwawan sub-district where factories, some of excellent design, are concentrated, more private housing schemes are being realised and about a dozen tall buildings have been completed in recent months for "lower income groups".

Since some time the new ferry, Kowloon City Ferry, operated by the Yaumati Ferry Co., and connecting with Wanchai (Hongkong Island), has given splendid service to the public. The concourse and plaza in front of the ferry terminal are a credit to our Government; equally commendable is the good service of busses, under management of the Kowloon Bus Co., which connect Tokwawan with many points of Kowloon. Another ferry operates from Hunghom, namely from Winslow Street/Gillies Avenue but this is a third rate service, connecting with North Point (Hongkong).

Private building is also noticeable (indeed, where isn't it?) in the Mataukok sub-district right up to Sungwongtoi Road, the northeastern end of Hunghom, facing the new airport now under rapid construction. In this sub-district factories are found everywhere. There is a remnant of a hill left in that area, called Lokshan or Sanshan, which is now being hacked and dug away so that factories can be built there. This ugly sand-laterite-granite rock, while under attack by men and machines, has already been made the site for several tall and well-constructed factories. Such is the urgency of the land problem for factory builders. West of Matauwei Road the steep hillside is being pushed back and back, land is thus being gained for more houses. A number of new streets have been formed and tall buildings

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are under construction, one of which being 12 stories high (in Maidstone Road). The time will soon come when a road will connect Hunghom over the 'central Kowloon massif' with both Yaumati and Kowloon Tong, via Homantin. An important development has taken place in the area of Kaulung, with several new roads being built there. Government has reserved this area for schools and today there are six schools there and more are under construction. Like housing generally and factories, school buildings are now rising many stories high, economising on land. One finds some refreshing though not original architectural designs among a number of schools, factories and public buildings in Hunghom. The people living in this district are mainly Cantonese (Punti) with smaller numbers of other Southerners (Hakka, Swatow) and few Shanghai immigrants (with the exception of some factory workers in Shanghai capital-owned enterprises).

**Tai Lam Chung Reservoir:** Water from the 4,500-million-gallon Tai Lam Chung Reservoir (a 130 million dollar affair) started flowing through the supply network from the Tsun Wan Filtration Plant on March 7. The main dam will be completed in October; at present the reservoir holds about 1,500 million gallons of water. The scheme was first conceived 20 years ago. Investigations were interrupted by the war and it was not until January 1953 that work actually began on the main dam.

The project consists of a large concrete dam across the main stream at Tai Lam Chung with three subsidiary dams to block up openings in the surrounding hillsides. These together will form a storage reservoir with a capacity of 4,500 million gallons. The capacity of all existing reservoirs is 6,000 million gallons. To provide this reservoir it has been necessary to move 90 families out of two small villages flooded by the water. The villagers have been rehoused in buildings at Tsun Wan and have been compensated for their land. From the reservoir the water flows through five miles of tunnel and then through a 48-inch diameter pipeline to Tsun Wan. From there it is pumped up to the Filtration Plant and then fed through another pipeline along Castle Peak Road to service reservoirs before reaching the urban areas of Kowloon and Hongkong.

There is much to be done before the scheme is finished. Besides completing the main dam about 28 miles of large catchwater channels are being constructed, including some 1½ miles in tunnel, to bring additional water to the reservoir from catchment areas which normally do not drain into the Tai Lam Chung valley. For the present the extra supply from this source will be ten to twelve million gallons a day, but this will be more than doubled when the catchwaters are completed in three years' time.

**Wired Vision:** Rediffusion (HK) Limited will inaugurate a wired vision service on May 29, 1957. The daily 4-hour program will include a children's hour at 5 p.m. Original vision broadcasts of sports events and other attractions, nightly local and world newsreels, feature films from UK and US, puppet shows and dramas in Chinese from Rediffusion studios will be included in the program. The monthly subscription is \$55 per set and the initial installation charge is \$25. The Company now has 800 WV receiving sets in stock mostly with 16-inch screens. Subscribers can buy their own sets from local dealers; Rediffusion will then collect \$35 every month but the initial connection fee will still be \$25. Subscribers will not be required to apply for WV licences to operate their sets because Rediffusion will account to Government under the terms of their franchise for the required annual licence fee of \$36 per set. The fee for a sound broadcast receiving licence remains at \$20 per annum.

Success of this local TV experiment will depend on the quality of programs. Considering the limited possibilities of local news and events, and the scarcity of artistic talent for

studio shows, the prospects for future TV set owners, at least the more intelligent ones, are not encouraging, and consequently sales of sets might be small. It is not the monthly fee which will militate against a spread of TV here but the programs which will be shown; with all good intentions of Rediffusion, the facts cannot be changed, namely that a small territory like Hongkong cannot provide much interesting material for the TV screen. To show overseas moving pictures will not attract a non-Chinese audience. For Chinese viewers the situation might be somewhat better as studio performances of various art forms can be arranged which should, in some instances, please some sectors of the Chinese community here.

**Hotel Situation:** This remains as unsatisfactory as before. Plans for new hotel constructions have been announced but nothing has so far been done to relieve the extreme shortage of hotel accommodation and to bring down high prices. Contrary to propaganda about "cheap Hongkong", tourists are unpleasantly surprised when presented with hotel accounts and comparing them with prices obtaining in other Asian cities. With exception of a few pre-war hotels and the 'Miramar', the only first-class hotel built here after the war and which is excellently operated, other hotel accommodation here is far below the standard encountered elsewhere in progressive cities of East Asia. The extreme smallness of rooms is usually blamed on high land prices; but hotel charges are so high as to warrant more generous 'breathing space' for our visitors.

In the New Territories some pleasant country hotels have been built, notably the Shatin Heights, and recently the Carlton Hotel has been opened. While well designed and quite elegantly equipped (a credit to the interior decorator), the location was most unwisely chosen. The 'Carlton' overlooks a squatter and 'resettlement' area, factories and some of the unsavoury city slums of Cheungshawan and Shamshuipo. As a country hotel, without sports facilities, it is not useful; as accommodation for business men and visitors to HK it is too far out of the centres on both sides of the harbour. Its rates are HK\$40 for single, \$70 for double rooms. In supposedly expensive Manila and Baguio, first-rate hotel accommodation, at the open market rate of the peso, is HK\$18 to 30 for double rooms. In Tokyo, about HK\$20 to 45; in Djakarta (at free market rate for the rupiah) only HK\$12 to 18, but in this price are included four meals a day; in Singapore, \$30 to 50; in Bangkok, \$22 to 48. In every case, hotel space in other Far Eastern cities is very much more generous and ample.

**HK-PI Relations:** At long last a Hongkong-Philippine Society has been established here and at its inauguration the Undersecretary of Foreign Relations of the Phil. Govt, Mr. Raul Manglapus, addressed it as follows:—

A historical sketch published by the Government of Hongkong states that before British occupation Hongkong Island was a notorious retreat for pirates. There is ample evidence to support this statement. Philippine history records that our islands were frequently raided by pirates from the north and it is to be presumed that quite a bit of the wealth thus looted from our family treasures was eventually cached in Hongkong. Today, over a century later, we find that the situation remains basically unchanged. The British, with traditional efficiency, have eliminated the pirates but have not lost sight, it would seem, of the advantages of the latter's objectives. Thus, while shunning piracy, the British set up a free port and encouraged the establishment of all kinds of shops with all kinds of prices, so that the wealth of our people, once brought to this island by the force of outlawry, might now peacefully, eagerly, be laid by Filipino wives at the foot of their cash registers!

But while Hongkong may influence current Philippine life largely through its status as a free port, it was not

always so. There was a time when Hongkong figured in Philippine history not so much as a free port as a port of freedom. The first Philippine society in Hongkong was the Liga Filipina, the "Philippine League" founded here in 1891 by Dr. Jose Rizal, our greatest national hero. It was an association of Filipino patriots who had come to Hongkong to work for Philippine freedom. Rizal soon made friends with the editor of the Hongkong Telegraph, and writing in Spanish on the pages of this newspaper he was able to reach his people until, discovering the strategy, the Manila authorities banned its circulation. Hongkong gave Rizal freedom to work not only for his country but also for himself. In the Renaxela terrace at D'Aguilar Street, he established himself as an oculist with the help of a Portuguese physician, Dr. Lorenzo Marques. Rizal was executed in Manila in December, 1896, after he had returned to our country in hopes of a peaceful parley on reforms. But Hongkong could not so quickly pass out of our history. Exactly a year later, General Emilio Aguinaldo, the military leader of that revolution, landed here with his associates and formed a military junta. Here he met George Dewey, the American admiral, and it was here that the joint plan of action was born which resulted in the destruction of Spanish power in the Philippines.

The noted British historian, Arnold Toynbee, after a recent visit to Asia, has said that "the American boast (about the Philippines) is a proud one, but I believe it is no more than the plain truth." We might add here another plain truth, namely, that Philippine-American collaboration was born under the protection, if not the auspices, of the British flag.

These then are the materials at hand with which one might fashion a permanent structure of Hongkong-Philippine co-operation.

**Extension of Governor's Term:** Many Chinese organizations formed a committee to campaign for the retention of

Sir Alexander Grantham as Governor of HK for another term. The campaign was launched by the HK Economic Housing Society and has been joined by Chinese Manufacturers' Union, Kowloon Chamber of Commerce, Chinese Y.M.C.A., Chung Sing Benevolent Society, Chinese Christian Church of Amoy, Chung Chi College, United College, New Asia College, International Christian Leadership, HK Football Association, Lok Sin Tong Benevolent Society, Chan Clansmen's Association, New Territories Heung Yee Kuk, etc. The committee, named the "HK Communities Federation Provisional Committee for the Extension of the Governor's Term", will send a petition to UK. The committee announced that support had been received from over 700 cultural, commercial educational, labour, religious and other groups.

**Electricity Surcharge:** In spite of government announcement that there were no grounds for intervention in the increase of surcharge for electricity from 9% to 18%, about 100 representatives of various Chinese associations, at a meeting sponsored by the HK Chinese Reform Association, resolved to continue the opposition against the increase. A 10-member delegation representing leading Chinese organizations presented their views to HK Electric Co. and China Light and Power Co. They asked the Colonial Secretary to reconsider Government's decision and they seek assistance from Chinese representatives in Legislative and Executive Councils and from Chinese directors of the electric companies.

**Shipping:** A HK-built 450-ton motor vessel equipped with three sails left here early this month on her maiden voyage to Sydney. The \$1 million ship, the Wongala, was built at the Cheoy Lee Shipyard for the Tucker Shipping Company of Melbourne. She has an overall length of 149 feet and a 540 HP diesel engine. The 20,386-ton "Oxfordshire" is coming here on her maiden voyage from London. She is the largest ship built by the Bibby Line for troop and can carry 1,500 passengers and a crew of 368.

## FINANCE & COMMERCE

### HK EXCHANGE MARKETS

Mar.	U.S.\$		Notes High	Notes Low
	T.T. High	T.T. Low		
11	\$619½	619	617½	616¼
12	622	620¼	619	618½
13	622½	621½	619½	618½
14	622½	621	619½	617¾
15	619½	619	617½	616¾
16	621½	619½	619½	617
D.D. rates: High 620% Low 617¼.				

Trading totals: T.T. US\$4,480,000; Notes cash US\$390,000, forward US\$ 2,930,000; D.D. US\$340,000. Market steady and active; eager buyers for import requirements and for switch trading. In T.T. sector, funds from Japan, Korea, Indonesia and Philippines were absorbed by gold and general importers and switch exchange operators. In Notes market, some speculative activity appeared; bulls taking chances on early drops of cross rate. Interest for change over favoured buyers and netted 60 cents per US\$1,000. Speculative positions taken averaged US\$2½ million per day. In D.D. sector, market continued quiet.

**Yen Notes:** There was some small trading and interest for change over aggregated \$2.30 per Yen 100,000 in favour of sellers. Rates \$1,500—1,490 per Yen 100,000.

**Far Eastern Exchange:** Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.78—1.755, Japan 0.014925—0.014875, Malaya 1.879, Vietnam 0.06578—0.06369, Laos 0.0595, Cambodia 0.085—0.080, Thailand 0.2841—0.2832. Sales: Pesos 350,000, Yen 133 million, Malayan \$350,000, Piastre 12 million, Kip 7 million, Rial 5 million, Baht 4 million.

**Chinese Exchange:** People's Yuan notes quoted \$1.50—1.45 per Yuan. Newspapers in Canton reported that free Yuan exchange market for remittances had appeared. Free rates quoted about 40% lower than official rate, but tradings were few. Taiwan Dollar notes quoted \$164.50—163.50 per thousand, and remittances 153—152. **Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 16.21—16.16, Scotland and Ireland 14.00, Australia 12.65, New Zealand 14.95—14.90, Egypt 10.00, East Africa 15.40, West Africa

13.50, South Africa 16.30—16.25, Jamaica 13.50, Fiji 10.00, India 1.1875—1.186, Pakistan 0.89—0.885, Ceylon 0.98, Burma 0.54, Malaya 1.845—1.84, Canada 6.45—6.4175, Cuba 5.00, Argentine 0.17, Brazil 0.07, Philippines 1.83—1.8125, Switzerland 1.40, West Germany 1.38, Italy 0.0091, Belgium 0.11, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.40, France 0.015—0.01495, Vietnam 0.0685—0.068, Laos 0.0585—0.058, Cambodia 0.085—0.079, North-Borneo 1.60, Indonesia 0.1665—0.165, Thailand 0.287—0.285, Macau 0.996—0.995.

#### Gold Market

Mar.	High .945	Low .945	Macau .99
11	268½	268½	
12	270½	269½	
13	270½	268½	279% High
14	269½	268½	
15	268½	268½	Low 278%
16	269½	268½	

Opening and closing prices were 268½ and 269½, and highest and lowest 270½ and 268½. Market steady, reluctant to follow US\$ exchange. Interest for change over favoured sellers and

netted 28 cents per 10 taels of .945 fine. Tradings averaged 6,300 taels per day and amounted to 37,800 taels for the week (15,240 cash tradings of which 3,440 listed and 11,800 arranged). Imports all from Macau: 12,000 taels. One shipment of 48,000 taels arrived in Macau. Exports amounted to 11,000 taels (5,000 to Singapore, 3,500 to Indonesia, 1,500 to Rangoon, 1,000 to India). Differences paid for local and Macau .99 fine were \$13.00 and 12.00 respectively per tael of .945 fine. Cross rates were US\$37.72—37.70; 36,800 fine ounces were contracted at 37.70 C.I.F. Macau. US double eagle old and new coins quoted \$283—282 and 262—261 respectively per coin, English Sovereigns \$61, Mexican gold coins HK\$ 289—288. **Silver Market:** 500 taels of bar silver traded at \$5.90 per tael; 500 dollar coins at \$3.78; and twenty-cent coins \$2.92 per five coins.

## HK SHARE MARKET

Market opened with selective buying but towards weekend trading improved to nearly \$1 m per day; turnover was \$3.33 m. With exception of Docks which dipped from 48.50 to 45.75 on Tuesday, other fluctuations were small. The drop of Docks was caused by disappointment at unchanged dividend of \$2 and bonus of \$1.50; investors had expected more. However it recovered to 47.50 towards weekend because the company's profit for 1956 at \$7 m was encouraging as compared with \$4 m for previous year. Banks reacted favourably to increased profit and closed \$20 higher. Lands offered at 35.25 but no selling; 400 shares sold towards weekend at 36 and 36.50. Yaumatis advanced to 137 but at close buyers offered only 136; final dividend \$5 is 50c better than for previous year. Cement first declined to 32.50 but later recovered to 33.50 after Company announced that exports of HK cement

## SINGAPORE SHARES

A new note of confidence was introduced when it was learnt that the Constitutional Mission was not going to submit any exorbitant demands to the British Government, which led to an exceptionally large volume of business written. Overseas investors will no doubt be heartened by the report of the working party, appointed by the Alliance Ministers, who pointed out that "The Federation needs foreign capital, far more than foreign capital needs the Federation," and emphasis on attracting foreign capital runs through their report. This renewed optimism, aided by a sizeable list of dividends, was responsible for advances in the prices of numerous Industrial and Tin shares. Rubber shares, on the other hand, attracted little attention whilst local Loans continued to have small sales at quotations, shortage of offerings hampering further dealings. A constructive proposal in Kuala Lumpur was to invest the funds of the National Union of Plantation Workers in the shares of rubber estate companies. If implemented the policy should be financially

were not affected by Chinese and Japanese competition; profit for 1956 at \$4.23 m was about half a million less than 1955. Nanyang Cotton continued firm with buying offers from 8 to 8.15; investors are optimistic because exports and local demand remain strong. Utilities were firm.

**Monday:** dull, prices unchanged, turnover \$320,000. **Tuesday:** trading moderate, prices fractionally lower, \$830,000. **Wednesday:** quiet, \$463,000. **Thursday:** fresh enquiries hardened prices, utilities most active, \$917,000. **Friday:** prices firm, improvement in Banks stimulated other shares, turnover \$800,000.

**Dividend:** HK and Whampoa Dock \$2 plus \$1.50 bonus per share for 1956.

profitable and bring to the ken of unionists the problems of responsibility for finance and administration. Particularly, would this be the case if Union representatives secure directorates.

Amongst the Industrials especially favoured were Consolidated Tin Smelter Ords. being taken at 31/10½ to 32/- and Fraser & Neave Ords. which changed hands at \$2.30 and \$2.32½. A large volume of business also passed in Hammer from \$1.90 to \$1.87½ to \$1.90 cd. cb., and in Henry Waugh from \$1.62½ to \$1.67½. On the announcement by Hume Industries of a dividend and scrip issue, their shares came in for renewed enquiry, the Preference being dealt in at A.28/4½ and A.28/3 cd. cci., and the Ordinary at A.8/- cd. cci. Sime Darby were a particularly active counter and on a rising market—had numerous sales from \$2.27½ to \$2.32, the market closing firmer at \$2.35—\$2.40. Straits Times were in better demand being taken from \$3.10 to \$3.15, also Straits Traders which saw business from \$26.40 to \$26.75. Wearne Bros. after transactions at \$2.82½ can now be placed at \$2.85. In the Tin section, Austral Amalgamated staged a sharp recovery and had a heavy turnover from 19/3 to 19/9 xd. Kuala Kampar after sales at 37/6 to 37/4½ are firmer with buyers at 37/9. Lower Perak rose by 1/6 to 18/- after business earlier in the week at 17/- to 17/6 and Malayam Tin also showed an improvement with dealings from 14/9 to 15/- though there are sellers over at the close. Larut changed hands at 8/1½ and 8/2 cd., but Petaling were a declining market, being taken in quantity from \$2.90 to \$2.92½ to \$2.82½.

Share	Mar. 8	Last Week's Rate		Up & Down	Dividend	Annual Return (%)
		Highest	Lowest	Closing		
HK Bank	1580	1580	1555	1580	+\$20	\$80 5.00
Union Ins.	935	930	925	925	—\$10	\$34 3.88
Lombard	38 n	38 s	37 b	38 s	steady	\$3 5.28
Wheelock	6.85	6.85	6.75 b	6.85 s	steady	75c 10.95
HK Wharf	102	105 s	101 b	102	steady	\$4 3.92
HK Dock	48	48.50	48.75	47.50	—50c	\$2 4.21
Provident	13.40	13.30	13.10	13.30	—10c	\$1 7.52
HK Land	35.50 b	36.50	35.25 b	36.50	+\$1	\$3.50 9.59
Realty	1.375	1.40 s	1.35 b	1.375	steady	15c 10.91
Hotel	15	XD 14.40	14.90	XD 14.40	+\$40c	\$1 6.94
Trams	21.90	22	21.80	22	+\$10c	\$1.85 8.41
Star Ferry	130 b	137	125 b	136 b	steady	\$9 6.62
Yaumati	105	106	105	106	+\$1	\$7.50 7.08
Light	22.90	23.40	22.70	23.40	+\$50c	\$1.10 4.70
Electric	30	30.25	29.60	30.25	+\$25c	\$2.70 8.93
Telephone	23.90	24.70	23.90	24.50	+\$60c	\$1.50 6.12
Cement	33	33.50	32.50	33.50	+\$50c	\$4 10.00
Dairy Farm	16.10	16.30	16.10	16.30	+\$30c	\$1.63 8.77
Watson	11.30	11.40	11.30	11.40	+\$10c	\$1 11.97
Yangtze	5.85 b	6 n	5.85	5.85 b	steady	70c 8.26
Allied Inv.	4.60 s	4.75 s	4.70	4.75 s	—5c	75c 7.65
HK & FE Inv.	9.80 b	10 n	9.80 b	9.80 b	steady	30c 20.69
Amal. Rubber	1.40	1.45	1.425	1.45	+\$8c	50c 10.53
Textile	4.75 b	4.80 s	4.675 b	4.75	steady	80c 9.82
Nanyang	8.05	8.20	8 b	8.15 b	+\$10c	

## TRADE REPORTS

Before merchants here could enjoy the benefit of possible discontinuation of surcharge on freight for cargo to and from Europe (including UK), shipping companies announced a 10% hike in basic freight rates for consignments from here to Europe effective May 1. Industrialists voiced this will adversely affect exports of HK products especially to UK. Exports of HK goods to Europe will be more expensive but will not be handicapped in competition with Japanese and Chinese products because freight from Japan and China to Europe also hiked. Similar increase in freight rates for cargo from Europe to FE is inevitable but not yet confirmed. Dealers anticipate further decline in re-exports of European goods to SE Asia because these markets will find Japanese products much cheaper. In the local retail market, provisions which recently eased from high level reached last Xmas again firmed.

**Trade with China:** Peking announced that an export fair will be held in Canton this April; firms in HK, Macau, Singapore, Malaya and other countries will be invited. Under Peking's new regulation governing entry of foreign ships into China, all vessels must apply for entry a week before arrival; masters must notify Chinese port authorities, deadweight of vessel, quantity of cargo carried, passengers aboard and approximate time of arrival.

Imports of foodstuffs from China remained heavy but supply of beans and oilseeds, feather, egg products and other popular staples was insignificant. From the local market, China purchased small consignments of metals. Demand from China is not likely to improve before the political conference now being held in Peking is over.

**Trade with Japan:** Cargo movements between HK and Japan remained active but volume was much less than previous week. In the local market Japan was interested in scrap iron and selective items of China produce; trading restricted because buying offers low. There were enquiries for various steel products but no order concluded. Of the 0.8 million tons of steel Japan plans to import this year, foreign exchange for 0.2/0.3 m tons will be allocated in April. Tokyo was also considering to reduce or remove import duties on pig iron, semi-finished steel and primary manufactures. Local dealers booked more sundry items, textiles, cement and electric appliances from Japan to meet strong local demand and orders from SE Asia. Booking of Japanese paper was discouraged by price hikes.

**Trade with UK & Europe:** Imports of metals, dairy products, textiles, automobiles, wines and provisions, paper, chemicals and pharmaceuticals totalled 6,000 tons; about 65% from UK. Exports of HK products (chiefly cotton textiles & rubber shoes) and China

produce (rosin, bamboo cane, etc.) to UK amounted to 4,500 tons; exports to Europe insignificant. Pending freight increase handicapped trade with UK and Europe during the week. Two members of UK Export Credits Guarantee Department (which provides insurance against major risks of overseas trading) came here to study FE market conditions.

**Trade with US:** Mr. U. Tat-chee, leader of official HK delegation to US World Trade Fair, left here for New York where the fair will be held from April 14 to 27. Government earmarked HK\$200,000 to cover expenses for exhibiting about 1,000 HK products (silk and embroidered goods, gold and silver ware, jade ornament, ivory goods, camphorwood chest, blackwood furniture, woollen and cotton goods, torch and battery, vacuum flask, rattanware and furniture, leather goods, rubber goods, toys and plastic products). A 1,000-sq. ft. HK Stall at the Fair will be in charge of official delegates including Messrs. J. B. Kite, E. G. A. Grimwood, R. F. Edwards, A. F. Hulse and B. I. Barlow. Chinese Manufacturers' Union is also sending a trade mission to attend the Fair: members include Mr. Haking Wong (leader) and other local industrialists.

**Trade with Indonesia:** In spite of revolts in East Indonesia, cargo movements between HK and Indonesian ports remained active. Djakarta decided to buy US\$2.5 m worth of cotton yarn, pieces goods and sewing thread from HK with US cotton as payments. Authorities there also denied a previous report that imports of cement would be suspended. Export restrictions there on rattan were eased. Towards week-end, HK-Indonesia trade slowed down after Djakarta declared a state of siege throughout Indonesia.

**Trade with Thailand:** Bangkok continued to ship large quantities of rice to the local market and from here bought metals, paper, pharmaceuticals and sundry items; purchases however were limited in volume probably on account of the unrest in Bangkok following recent election riot there. Dealers here were optimistic and believed situation would improve soon.

**Trade with Korea:** Orders from Seoul were mostly for paper. Purchases in industrial chemicals and pharmaceuticals limited by short stock and low buying offers. There were enquiries for wool yarn and tops, rayon yarn and other items but no transaction reported.

**Trade with Taiwan:** Taipei earmarked \$75 m from US Aid Funds for civilian imports during 1957. Authorities there announced tea exports this year will amount to 30 million pounds; destinations include US, UK and South America. To HK, Taiwan shipped cotton piece goods in addition to tea, ginger, citronella oil and other staples. Taipei intends to export US\$6 m worth of textiles this year, chiefly to Korea;

shipments to HK about US\$1 m. Taipei's first freighter on regular service between Taiwan and SE Asia began her maiden voyage on March 15; ports of call include Bangkok, Saigon, Singapore, Penang, and Manila. Taipei economic fair scheduled for October was called off on grounds that funds (US\$1 m) could be better spent on construction projects. The resolution was criticized by Taiwan Press as "pennywise" because the exhibition could attract much needed investment from overseas Chinese.

**Trade with Malaya:** No rubber exported from Singapore to China in February; rubber traders there however are still hoping for big orders from Peking. From the local market Singapore and Malaya continued to procure foodstuffs, sundry provisions, joss sticks, enamelware and sundry items; exports last week totalled 3,000 tons. HK manufacturers are planning to exhibit their products in Singapore and Kuala Lumpur in June and July to promote exports.

**Trade with Philippines:** Manila ordered selective items of metals, industrial chemicals and cotton yarn from

here; volume limited by foreign exchange available there for imports from HK. A trade mission sponsored by Chinese Manufacturers' Union is now in Manila to promote sale of HK products.

**Trade with Cambodia, Laos and Vietnam:** Imports came chiefly from Cambodia (beans, sesame, rice, scrap iron) and North Vietnam (cassia, feather, woodoil) and exports went mainly to South Vietnam and Cambodia; principal items were foodstuffs, tea, garlic, medicinal herb, paint, hurricane lantern and other HK manufactures. Trade with Laos quiet.

**Trade with Africa:** Enquiries from North Africa covered 1,000 tons of China tea. Dealers here were trying to get enough supply from China;

transaction was still under negotiation towards weekend. Exports to East, South and West Africa amounted to about 700 tons; principal items were enamelware and cotton textiles.

**Trade with North Borneo:** Timber constituted major portion of 3,500 tons of imports from North Borneo. Exports only about 1,000 tons of building and construction materials, mainly stone nuts.

**Trade with Australia:** Demand from Australia for China produce and HK manufactures improved and covered woodoil, camphor tablet, vacuum flask, cotton textiles, plastic products, rattan ware and gloves. Imports of wheat, flour, leather, woollen blanket and frozen meat totalled 1,000 tons.

**Trade with India and Pakistan:** One vessel brought here 2,000 bales of cotton, 200 bales cloth and 400 bales cotton yarn from India and Pakistan. Demand from these markets covered chiefly cassia and Chinese light industrial products; volume however insignificant.

**Trade with Burma:** Exports to Burma further improved; 700 tons old newspapers, cotton yarn, foodstuffs and sundry items left for Rangoon while more orders reached here for cotton yarn, paper, metalware, foodstuffs and sundry items. Dealers here are expecting more orders from Rangoon because Burma is selling rice chiefly to non-Communist countries and consequently her imports from China and other Communist countries will be cut thus providing more budget for purchases from HK.

**China Produce:** Japan, Singapore, Taiwan, Australia and UK provided selective demand for oilseeds, vegetable oils, beans, camphor products, rosin and other popular staples; beans and oilseeds came chiefly from SE Asia, camphor products from Taiwan and rosin from China. Europe keen in egg products, feather and hog casing but transactions concluded between buyers' local agents and Peking representatives for direct shipments from China to Europe. Limited supply of raw silk, spun silk, gypsum and talcum offered by Canton but indents marked up.

**Metals:** More bars, plates, etc. arrived from UK, US and Europe but there was no selling pressure; demand from Taiwan, China, Philippines, Thailand and other SE Asian countries kept prices firm. Other factors which kept

the market buoyant were possible increase in freight rates, marked-up cost, enquiries from Japan, remote delivery dates for new indents from UK and Europe. Japan bought only scrap iron; there were enquiries but no orders from Tokyo for steel bars and plates.

**Paper:** Korea provided strong demand for selective items covering wood-free printing, sulphite, cellophane, aluminium foil and duplex board. Enquiries for US newsprint in reels did not materialize because quotations here kept high by advanced cost. Most items were firm on increased Japanese, European and Chinese indents as well as on orders from Cambodia, Indonesia, Thailand, Burma and Taiwan for various printing, packing, writing and cigarette paper.

**Industrial Chemicals:** Market quiet but prices firm on high replenishment cost and short stock. Enquiries from Philippines, Taiwan, Korea covered only selective items including acetic acid, tanning extract, shellac, iron oxide and copper sulphate.

**Pharmaceuticals:** Trading in pharmaceuticals, too, limited to a small number of popular items (dihydrostreptomycin, isoniazide tablets, sulfonamides, saccharine crystal, glucose, aspirin, phenacetin, caffeine alkaloid, san-tonin crystal and vitamin powders) favoured by Korea, Thailand, Singapore and Taiwan; volume of business handicapped by short stock.

**Cotton Yarn and Piece Goods:** HK Yarn continued firm on demand from Indonesia, Burma, Philippines in addition to orders from UK and local weaving mills; many mills are now fully booked till August, some till December. Pakistan yarn sluggish because prices were near level of HK products while quality inferior. HK cloth, too, firmed

on orders from Indonesia. Chinese drill eased under new arrivals but grey cloth firmed on steady local demand. Taiwan grey and drill appeared in the local market providing keen competition for Chinese cloth.

**Rice:** Bangkok marked up indents for a number of grades but prices in local market did not hike because supply adequate and offers from China and Cambodia competitive. Bangkok price-advance was partly caused by China's purchase of 100,000 tons of rice from Thailand for shipments to Ceylon.

**Wheat Flour:** HK products made from Canadian wheat marked up 40c per bag on account of increased wheat cost. US brands firmed on higher cost and dwindled stock. Canadian and Australian brands were quiet.

**Sugar:** Speculative buying stimulated Taiwan granulated but improvement was damped by heavy stock. Brown sugar of both Taiwan and Philippine origin firm after recent exports to Korea. Japanese fine and HK products retained strong local demand; prices firm.

**Cement:** Green Island Cement Company announced that competition from Japanese and Chinese products did not affect exports of HK cement to SE Asia. In local market, supply from Japan adequate but imports from China insignificant.

**Sundry Goods:** Singapore, Thailand, Indonesia and other SE Asian markets bought substantial quantities of Chinese towel and Japanese zip fasteners, sun glass, fountain pen, lighter, etc.

**Wool Yarn:** Dealers here began booking supply from UK for coming winter sale; there were also enquiries from Korea for this item.

**Fresh Hen Eggs:** Supply from China returned to normal and retail prices here came down to \$1 for 6 or 7 pcs.

**Hongkong Products:** Plastic products retained strong demand from UK, US and Europe for toys but demand from SE Asia, Middle East and Africa for chop sticks, soap box, rice bowl declining because domestic industries in these countries recently began to produce these items.

## HONGKONG TRADE IN FEBRUARY AND JAN./FEB. 1957

Exports during February valued \$245.2 million, an increase of \$3.4 m over corresponding month in 1956; imports \$444.1 m, higher by \$113.8 m. Value for February 1957 compared with January showed decrease, largely due to shorter period and Chinese New Year holiday.

Exports during first two months 1957 valued \$550.5 m, an increase of 11.7% over corresponding period 1956. Imports rose by 28.8% to \$921.9 m. Indonesia increased her imports by \$18.6 m to \$96.1 m, and was HK's best buyer for Jan./Feb. this year. Significant increases of exports were recorded for Japan, UK, Malaya, US, Burma, Philippines and China. Exports to Thailand fell by \$26.8 m, and to South Korea and Indochina by \$15.9 m and \$11.1 m respectively. China remained principal supplier, imports increasing by \$35.5 m. Increases were also recorded in imports from Indonesia, Formosa, India, US, Australia and Thailand. Imports from Malaya fell by \$13.5 m.

**Hongkong Products:** February exports \$58.1 m, a decrease of \$3.1 m or 5% compared with corresponding month last year. (23.7% of total exports). Jan.-Feb. total \$5.9 m or 4.7% higher than same period 1956. UK remained the best customer so far this year. Indonesia dropped to second while Malaya remained the third. The Philippines, Burma, China and Africa increased purchases of Hongkong products compared with corresponding period last year; however Indochina decreased by \$2.0 m and Thailand \$1.9 m less. Principal items were cotton piecegoods, cotton yarns, footwear, shirts, enamelware, electric torches and cotton singlets.

**Certificates of Origin** of all kinds and Imperial Preference Certificates issued in February totalled 14,912 covering goods valued \$49,401,302.

## IMPORTS, BY COUNTRIES

Country	February, 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$	Country	February, 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$
<b>Merchandise</b>				Germany			
Africa, Central				(Western) ....	13,757,019	25,659,838	18,711,033
(British) ....	284,883	307,691	130,431	India	14,059,974	21,042,670	11,103,537
Africa, East				Indonesia	9,119,923	18,570,333	5,429,795
(British) ....	6,309,631	11,042,046	8,133,266	Italy	6,678,629	12,455,128	5,372,223
Africa, South ..	3,377,576	5,480,977	2,595,732	Japan	65,533,846	126,166,053	128,836,905
African Coun- tries, Other	174,966	324,308	593,798	Korea, South ..	4,875,152	5,940,416	2,125,625
America, Cen- tral	12,865	19,035	452,066	Macao	3,164,079	7,054,040	6,452,256
America, South (excluding Argentina and Brazil)	533,937	1,061,929	168,245	Malaya	9,049,776	15,092,195	28,613,867
Argentina	189,084	550,668	138,243	Middle and Near East			
Australia	15,429,286	25,631,998	15,388,392	Countries ....	4,263,625	9,713,230	7,193,413
Austria	1,149,457	2,923,729	5,800,340	Netherlands	6,857,021	13,741,224	9,967,536
Belgium	15,394,538	26,723,143	16,341,368	New Zealand ..	721,910	1,512,445	212,590
Borneo, North	3,941,437	7,515,635	7,076,877	Norway	1,378,729	2,510,889	812,207
Brazil	1,997,367	4,232,137	6,109,374	Oceania, British	15,493	50,608	5,660,974
British Common- wealth, Other	11,250	117,508	64,040	Oceania, United			
Burma	1,859,142	3,729,324	6,336,021	States	43,139	43,510	2,321
Cambodia, Laos & Vietnam	5,218,952	12,994,734	10,754,409	Oceania, n.e.s.	46,453	46,453	26,962
Canada	3,413,494	9,451,010	8,842,819	Pakistan	4,378,104	18,729,725	26,015,316
Ceylon	577,707	1,079,518	343,259	Philippines	4,308,276	8,062,639	3,496,924
China	82,894,224	208,903,918	173,445,295	Sweden	2,114,340	3,677,517	4,033,039
Denmark	875,568	1,406,077	775,578	Switzerland	16,171,828	31,462,859	23,176,974
Egypt	8,700,554	8,700,554	395,856	Thailand	20,097,632	45,938,069	28,645,925
Europe, Eastern	1,205,986	2,505,715	2,841,460	United Kingdom	51,907,041	112,235,510	76,496,983
European Coun- tries, Other ..	251,372	552,139	676,583	U.S.A.	39,462,556	79,663,151	44,101,886
Finland	257,635	751,600	227,725	U.S.S.R.	—	—	1,196,404
Formosa	7,536,684	19,508,880	6,908,546	West Indies, British	5,348	13,692	751
France	4,448,156	7,032,017	3,521,818				
				Total Mer- chandise ..	444,055,644	921,928,484	715,746,987
				Total gold and specie	38,113,490	59,891,780	67,260,230
				Grand Total	482,169,134	981,820,264	783,007,217

## EXPORTS, BY COUNTRIES

Country	February, 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$	Country	February, 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$
<b>Merchandise</b>				British Common- wealth, Other	1,656,154	3,376,387	3,680,498
Africa, Central				Burma	4,391,479	9,040,871	1,803,499
(British) ....	1,041,300	2,517,005	2,657,162	Cambodia, Laos & Vietnam ..	8,628,958	20,828,396	31,919,851
Africa, East				Canada	3,026,522	6,723,509	6,003,260
(British) ....	2,483,508	6,062,795	4,719,850	Ceylon	1,576,405	2,886,619	2,246,181
Africa, South ..	2,396,812	6,220,783	4,680,823	China	6,368,650	20,314,635	15,087,924
Africa, West				Denmark	526,421	998,472	703,705
(British) ....	3,705,966	7,911,645	10,471,355	Egypt	82	3,337	479,134
African Coun- tries, Other	5,130,092	12,090,307	7,172,439	European Coun- tries, Other ..	175,947	280,748	319,344
America, Central	2,200,151	5,427,043	3,850,853	Finland	3,882	65,712	63,869
America, South (excluding Argentina and Brazil)	1,101,045	2,962,642	2,235,477	Formosa	4,818,101	9,192,741	7,488,968
Argentina	37,577	97,059	4,780	France	1,733,234	2,746,430	3,629,630
Asian Coun- tries, Central	107,731	171,704	298,695	Germany			
Australia	2,092,733	6,445,661	9,098,354	(Western) ....	3,867,786	6,876,444	8,164,730
Austria	1,270	1,270	6,335	India	1,496,445	3,093,734	2,551,207
Belgium	1,097,352	2,556,582	2,055,187	Indonesia	48,240,775	96,105,098	77,510,408
Borneo, North	2,361,265	6,500,094	6,014,452	Italy	641,385	1,810,505	1,070,030
Brazil	18,300	32,931	83,885	Japan	30,831,090	68,804,123	31,881,438
				Korea, South ..	3,784,982	9,648,320	25,582,684
				Macao	4,280,136	10,249,903	7,770,677

Country	February, 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$	Country	February, 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$
Malaya .....	27,625,500	70,314,145	61,208,356	Switzerland ....	219,564	414,553	930,861
Middle and Near East Countries .....	3,000,521	5,590,722	4,682,404	Thailand .....	13,941,375	33,275,787	60,063,181
Netherlands .....	1,541,290	3,773,616	3,703,634	Turkey .....	63	63	6,303
New Zealand ..	1,007,042	1,889,386	2,047,517	United Kingdom ..	26,226,273	56,386,308	46,860,653
Norway .....	438,018	969,204	568,901	U.S.A. ....	10,191,452	23,685,840	15,761,059
Oceania, British	107,173	713,419	833,165	West Indies, British .....	1,499,787	2,634,338	1,990,494
Oceania, United States .....	2,194,940	4,716,925	4,701,599	Total Mer- chandise ..	245,197,946	550,485,974	492,997,275
Oceania, n.e.s.	648,526	1,324,498	1,183,685	Total gold and specie ..	33,992,333	59,596,021	88,930,612
Pakistan .....	268,978	458,251	690,575	Grand Total	279,190,279	610,081,995	581,927,887
Philippines .....	5,584,965	10,675,662	5,390,185				
Sweden .....	878,943	1,619,752	1,070,019				

## IMPORTS, BY DIVISIONS

Division	February, 1957 HK\$	Jan./Feb., 1957 HK\$	Jan./Feb., 1956 HK\$
Live animals .....	10,559,238	24,225,428	33,142,551
Meat and meat preparations .....	7,937,573	19,786,082	9,741,737
Dairy products .....	7,129,934	13,303,832	11,821,280
Fish and fish preparations .....	6,291,117	14,490,584	15,038,747
Cereals .....	25,895,283	57,387,608	47,613,980
Fruits and vegetables .....	17,695,336	46,713,948	32,414,555
Sugar and sugar preparations .....	14,883,275	28,709,728	18,732,007
Coffee, tea, cocoa and spices .....	6,366,006	12,645,001	6,680,708
Feeding stuffs for animals .....	642,325	1,826,907	1,198,230
Miscellaneous food preparations .....	2,208,134	4,471,251	4,767,593
Beverages .....	2,259,652	5,143,507	4,032,038
Tobacco and tobacco manufactures .....	6,954,498	11,253,295	10,054,203
Hides, skins, furs (undressed) .....	866,939	2,409,378	1,565,234
Oil seeds and nuts .....	3,581,467	10,473,999	9,625,729
Crude rubber, including synthetic .....	2,120,354	3,631,135	3,934,977
Wood, lumber and cork .....	6,430,460	13,604,305	12,054,924
Pulp and waste paper .....	234,162	747,716	555,698
Textile fibres and waste .....	35,332,605	72,824,645	41,783,349
Crude fertilizers and minerals .....	557,795	1,195,003	1,439,908
Ores and metal scrap .....	2,956,879	4,694,866	1,768,143
Animal and vegetable crude materials .....	22,902,916	44,499,980	27,017,780
Mineral fuels .....	15,527,873	32,603,465	28,317,858
Animal and vegetable oils .....	7,111,406	13,032,874	17,237,946
Chemical elements and compounds .....	4,944,224	8,842,951	6,266,865
Mineral tar and crude chemicals .....	88,693	88,693	26,501
Dyeing, tanning and colouring materials .....	4,572,589	9,018,331	6,985,394
Medicinal and pharmaceutical products .....	5,561,561	10,497,555	5,503,828
Perfumes and cleansing preparations .....	2,943,911	7,039,454	8,357,950
Fertilizers, manufactured .....	92,707	762,426	9,000,798
Explosives and chemicals .....	6,291,498	11,136,524	8,461,356
Leather, leather goods and furs .....	2,175,228	4,184,753	3,063,582
Rubber manufactures .....	826,791	2,308,125	3,275,954
Wood and cork manufactures .....	601,434	1,725,195	1,774,512
Paper, paperboard and manufactures .....	11,691,436	24,119,128	21,714,817
Textile yarn, fabrics and articles .....	64,672,333	136,139,857	142,860,415
Non-metallic mineral manufactures .....	6,280,395	13,609,522	12,416,312
Silver, platinum, gems and jewellery .....	6,829,970	16,277,798	11,857,487
Base metals .....	44,166,878	92,295,529	30,387,395
Manufactures of metals .....	5,794,945	11,965,383	8,672,970
Machinery other than electric .....	17,855,166	28,947,089	18,518,778
Electric machinery and appliances .....	7,672,315	15,684,143	12,076,853
Transport equipment .....	11,815,229	21,107,508	15,814,302
Prefabricated buildings; plumbing, heating and lighting fittings .....	942,345	2,165,599	2,047,297
Furniture and fixtures .....	406,971	847,870	584,352
Travel goods .....	187,561	410,577	391,450
Clothing .....	2,885,632	7,147,208	4,576,282
Footwear .....	262,025	763,941	502,021
Scientific instruments; photographic and optical goods; watches and clocks .....	19,648,829	37,849,291	27,521,783

Division	February, 1957 HK\$	Jan./Feb., 1957 HK\$	Jan./Feb., 1956 HK\$
Miscellaneous manufactured articles	8,381,936	17,272,820	12,526,111
Live animals, not for food	17,815	46,677	22,447
Total Merchandise	444,055,644	921,928,484	715,746,987
Total gold and specie	38,113,490	59,891,780	67,260,230
Grand Total	482,169,134	981,820,264	783,007,217

## EXPORTS, BY DIVISIONS

Division	February, 1957 HK\$	Jan./Feb., 1957 HK\$	Jan./Feb., 1956 HK\$
Live animals	3,750	189,120	57,790
Meat and meat preparations	521,816	3,259,425	2,938,046
Dairy products	912,769	2,111,109	1,896,952
Fish and fish preparations	1,878,898	5,426,486	4,901,765
Cereals	3,548,041	8,900,933	9,203,506
Fruits and vegetables	11,505,314	29,542,973	21,400,654
Sugar and sugar preparations	2,840,895	8,366,089	5,576,330
Coffee, tea, cocoa and spices	3,948,928	7,727,847	3,545,129
Feeding stuffs for animals	412,000	946,676	314,747
Miscellaneous food preparations	2,369,643	5,137,885	4,401,172
Beverages	838,589	1,889,297	1,929,161
Tobacco and tobacco manufactures	726,590	1,387,125	1,508,829
Hides, skins, furs (undressed)	729,463	2,009,944	1,578,989
Oil seeds and nuts	1,990,598	4,232,206	6,937,584
Crude rubber, including synthetic	99,255	276,969	107,008
Wood, lumber and cork	484,801	1,316,247	1,382,065
Pulp and waste paper	367,924	653,837	124,914
Textile fibres and waste	15,614,583	31,000,282	4,706,936
Crude fertilizers and minerals	429,040	686,365	888,768
Ores and metal scrap	6,191,232	15,153,727	7,413,889
Animal and vegetable crude materials	11,967,585	24,752,798	25,004,901
Mineral fuels	217,018	2,099,206	869,799
Animal and vegetable oils	2,706,587	5,813,862	9,403,855
Chemical elements and compounds	1,264,806	2,467,112	1,979,963
Mineral tar and crude chemicals	—	420	4,785
Dyeing, tanning and colouring materials	4,626,672	7,977,717	8,471,131
Medicinal and pharmaceutical products	4,287,734	9,163,180	6,865,768
Perfumes and cleansing preparations	2,073,375	4,349,154	4,974,001
Fertilizers, manufactured	4,430	469,391	7,506,442
Explosives and chemicals	970,124	2,400,412	2,963,844
Leather, leather goods and furs	117,944	270,808	356,315
Rubber manufactures	290,450	528,863	1,670,901
Wood and cork manufactures	331,674	654,488	786,380
Paper, paperboard and manufactures	3,089,163	7,231,743	10,085,447
Textile yarn, fabrics and articles	65,274,047	135,209,715	134,711,252
Non-metallic mineral manufactures	2,660,900	5,689,482	7,434,661
Silver, platinum, gems and jewellery	1,663,381	4,098,836	4,567,107
Base metals	14,944,231	37,146,206	15,378,325
Manufactures of metals	8,332,043	20,612,221	21,115,590
Machinery other than electric	1,968,328	4,722,370	8,541,222
Electric machinery and appliances	2,206,228	4,737,337	5,430,819
Transport equipment	2,627,213	6,588,402	3,622,368
Prefabricated buildings; plumbing, heating and lighting fittings	5,100,679	11,003,560	10,639,102
Furniture and fixtures	2,675,175	6,494,932	6,276,694
Travel goods	1,013,046	2,136,609	2,216,469
Clothing	28,282,739	63,562,675	62,197,142
Footwear	6,480,360	15,625,211	18,324,618
Scientific instruments; photographic and optical goods; watches and clocks	2,860,135	7,267,691	5,776,082
Miscellaneous manufactured articles	11,690,775	27,078,342	24,944,410
Live animals, not for food	56,975	118,189	63,648
Total Merchandise	245,197,946	550,485,974	492,997,275
Total gold and specie	33,992,333	59,596,021	88,930,612
Grand Total	279,190,279	610,081,995	581,927,887

## HONGKONG PRODUCTS

## EXPORTS, BY COUNTRIES

Country	February 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$
Africa, Central (British)	439,555	1,024,119	865,643
Africa, East (British)	1,516,174	3,707,850	2,873,392
Africa, South	1,547,647	3,981,735	2,418,490
Africa, West (British)	2,152,108	4,963,280	6,284,707
African Countries, Other	3,189,574	7,698,307	4,107,464
America, Central	994,683	2,296,815	1,357,832
America, South (ex- cluding Argentina and Brazil)	559,077	1,534,535	1,129,388
Argentina	7,092	8,084	—
Asian Countries, Cen- tral	72,550	80,680	175,504
Australia	739,388	2,419,007	2,436,947
Belgium	109,164	402,692	381,895
Borneo, North	757,794	1,569,353	1,359,427
Brazil	2,800	8,211	—
British Common- wealth, Other	618,408	1,534,373	1,892,139
Burma	2,342,748	2,957,009	475,161
Cambodia, Laos & Vietnam	1,680,563	4,321,769	6,333,844
Canada	721,102	1,771,638	2,145,041
Ceylon	511,904	1,216,696	730,466
China	56	2,249,105	129
Denmark	251,774	371,809	164,222
Egypt	—	—	65,696
European Countries, Other	31,053	38,249	61,092
Formosa	92,313	203,925	303,188
France	96,249	122,799	4,282
Germany (Western)	280,135	632,654	342,672
India	247,006	598,591	776,782
Indonesia	10,296,496	23,337,066	27,871,259
Italy	49,747	106,672	51,904
Japan	198,687	853,606	773,288
Korea, South	36,558	96,215	1,127,311
Macao	378,293	851,098	533,358
Malaya	5,130,709	12,727,048	15,162,560
Middle and Near East Countries	912,538	1,686,536	1,439,526
Netherlands	180,344	469,220	395,797
New Zealand	425,622	802,581	810,665
Norway	122,419	186,791	28,799
Oceania, British	30,519	273,857	340,133
Oceania, United States	220,875	557,866	723,112
Oceania, n.e.s.	215,159	424,494	381,614
Pakistan	2,744	20,296	430,210
Philippines	2,710,842	5,788,668	2,129,520
Sweden	217,028	277,100	113,403
Switzerland	21,686	41,209	54,760
Thailand	3,274,826	7,287,454	9,227,168
Turkey	63	63	—
United Kingdom	11,828,080	27,033,099	25,873,045
U.S.A.	1,923,732	3,460,756	2,514,145
West Indies, British	986,530	1,576,048	966,729
Total	58,125,414	133,571,028	127,633,709

## EXPORTS, BY COMMODITIES

Commodity	February 1957 HK\$	Jan./Feb. 1957 HK\$	Jan./Feb. 1956 HK\$
Fish in airtight con- tainers	134,587	359,608	418,548
Fruits, preserved	942,146	2,160,314	2,526,711
Jams and fruit jellies	12	137	—
Fruit juices, unfer- mented	22,041	39,130	10,443
Non-alcoholic bever- ages	36,504	59,067	48,883
Beer	452	650	2,567
Cigarettes	111,972	227,163	160,231
Iron ore	202,503	887,815	660,820
Tungsten ore	—	25,500	11,500
Seagrass	6,323	12,383	27,625
Lacquer and var- nish	337,101	527,468	632,617
Paint, enamel and mastic	1,128,736	2,031,363	2,009,654
Cotton yarn	9,428,397	20,365,512	17,890,566
Cotton piece goods	16,333,575	37,920,607	24,649,060
Towel, not embroi- dered	1,052,759	2,025,727	2,367,644
Linen, embroidered	798,505	1,742,297	1,200,831
Cement	261,567	474,574	1,110,282
Iron and steel bars	424,431	2,602,001	1,654,124
Household utensils, enamelled	4,452,260	11,433,424	11,537,261
Household utensils, aluminium	616,513	1,421,222	1,474,624
Torch batteries	589,685	1,115,993	1,816,749
Torch bulbs	270,918	509,806	1,184,396
Electric torches	3,400,689	7,173,872	6,773,321
Lanterns, metal	879,667	2,078,615	2,326,002
Cotton singlets	2,601,373	6,564,144	14,387,814
Underwear and nightwear, embroi- dered	143,447	438,615	293,026
Shirts	5,739,471	12,292,455	10,643,376
Outerwear, embroi- dered	398,043	1,038,958	1,288,357
Articles of clothing (handkerchiefs, shawls, etc.), em- broidered, n.e.s.	353,992	714,325	423,677
Footwear	6,090,426	14,673,928	17,336,756
Matches	78,113	135,176	255,744
Plastic articles	684,459	1,395,637	1,323,500
Vacuum flasks, com- plete	604,747	1,123,542	1,186,990
Total	58,125,414	133,571,028	127,633,709